

ICF International, Inc.
Form 10-Q
November 14, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-33045

ICF International, Inc.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of

Incorporation or Organization)

9300 Lee Highway, Fairfax, VA
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (703) 934-3000

22-3661438
(I.R.S. Employer

Identification No.)

22031
(Zip Code)

Not Applicable

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(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 1, 2007, there were 14,505,863 shares outstanding of the registrant's common stock.

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ICF INTERNATIONAL, INC.

**QUARTERLY REPORT ON FORM 10-Q FOR THE
QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007**

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ICF International, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS AT****SEPTEMBER 30, 2007 (UNAUDITED) AND DECEMBER 31, 2006**

(in thousands)

Assets

	September 30, 2007 <i>(Unaudited)</i>	December 31, 2006
Current Assets:		
Cash and cash equivalents	\$ 2,074	\$ 2,997
Contract receivables, net	157,189	110,548
Prepaid expenses and other	4,606	2,659
Deferred income taxes	3,679	2,494
Total Current Assets	167,548	118,698
Total Property and Equipment, net	6,299	5,388
Other Assets:		
Goodwill	111,716	83,833
Other intangible assets	12,400	2,720
Restricted cash	3,631	3,703
Other assets	1,647	1,485
Total Assets	\$ 303,241	\$ 215,827

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ICF International, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

Liabilities and Stockholders' Equity

	September 30, 2007 (Unaudited)	December 31, 2006
Current Liabilities:		
Accounts payable	\$ 37,687	\$ 19,455
Accrued expenses	58,211	37,202
Accrued salaries and benefits	28,661	17,727
Deferred revenue	14,584	18,281
Income taxes payable	1,624	3,682
Total Current Liabilities	140,767	96,347
Long-Term Liabilities:		
Deferred rent	1,644	1,599
Deferred income taxes	5,266	1,324
Other liabilities	2,112	2,610
Total Liabilities	149,789	101,880
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, par value \$.001 per share; 5,000,000 shares authorized; none issued		
Common stock, par value, \$.001 per share; 70,000,000 shares authorized; 14,580,312 and 13,933,074 issued; and 14,504,882 and 13,874,696 outstanding as of September 30, 2007, and December 31, 2006, respectively	15	14
Additional paid-in capital	108,136	98,995
Treasury stock	(843)	(428)
Accumulated other comprehensive income	424	227
Stockholder notes receivable	(47)	(562)
Retained earnings	45,767	15,701
Total Stockholders' Equity	153,452	113,947
Total Liabilities and Stockholders' Equity	\$ 303,241	\$ 215,827

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ICF International, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF EARNINGS****(UNAUDITED)**

(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue	\$ 198,813	\$ 107,801	\$ 540,697	\$ 217,394
Direct Costs	147,468	73,213	398,260	139,675
Operating costs and expenses:				
Indirect and selling expenses	29,639	27,299	85,107	67,160
Depreciation and amortization	1,879	949	4,220	2,615
Total operating costs and expenses	31,518	28,248	89,327	69,775
Operating income	19,827	6,340	53,110	7,944
Interest expense	(654)	(1,166)	(1,392)	(3,448)
Other income	54	275	490	392
Income before taxes	19,227	5,449	52,208	4,888
Income tax expense	8,133	2,476	21,272	2,227
Net income	\$ 11,094	\$ 2,973	\$ 30,936	\$ 2,661
Earnings per Share:				
Basic	\$ 0.78	\$ 0.32	\$ 2.20	\$ 0.29
Diluted	\$ 0.74	\$ 0.28	\$ 2.09	\$ 0.26
Weighted-average Common Shares Outstanding:				
Basic	14,299	9,334	14,060	9,242
Diluted	14,999	10,475	14,800	10,383

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**ICF International, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(in thousands)

	Nine months ended September 30,	
	2007	2006
Cash Flows from Operating Activities		
Net income	\$ 30,936	\$ 2,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,220	2,615
Non-cash compensation	2,189	556
Accrued interest on stockholder notes	(21)	(47)
Loss on disposal of fixed assets	5	184
Deferred income taxes	(1,715)	(2,579)
Changes in operating assets and liabilities, net of the effect of acquisitions:		
Contract receivables, net	(36,950)	(18,101)
Prepaid expenses and other	(1,506)	(511)
Income tax receivable	475	
Accounts payable	17,725	7,973
Accrued expenses	20,821	23,045
Accrued salaries and benefits	7,731	11,247
Deferred revenue	(3,995)	8,052
Income tax payable	(3,181)	1,551
Deferred rent	1	(53)
Other liabilities	(1,177)	2,579
Net Cash Provided by Operating Activities	35,558	39,172
Cash Flows from Investing Activities		
Capital expenditures	(2,632)	(2,455)
Costs associated with trademark application	(14)	(42)
Capitalized software development costs	(300)	(217)
Additional payments for acquisition of Caliber Associates, Inc.	(523)	102
Payments for business acquisitions, net of cash acquired	(40,273)	
Net Cash Used in Investing Activities	(43,742)	(2,612)
Cash Flows from Financing Activities		
Payments on notes payable		(3,967)
Advances from working capital facilities	216,089	82,178
Payments on working capital facilities	(216,089)	(113,516)
Restricted cash	72	(161)
Debt issue costs	(82)	(235)
Exercise of options	3,851	148
Tax benefits of stock option exercises	2,960	
Expenses associated with initial public offering	12	(919)
Net payments for stockholder issuances and buybacks	(285)	300
Payments received on stockholder notes	536	753
Net Cash Provided by (Used in) Financing Activities	7,064	(35,419)
Effect of Exchange Rate on Cash	197	(45)

Net (Decrease) Increase in Cash and Cash Equivalents	(923)	1,096
Cash and Cash Equivalents, beginning of period	2,997	499
Cash and Cash Equivalents, end of period	\$ 2,074	\$ 1,595
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 1,135	\$ 3,476
Income taxes	\$ 23,037	\$ 3,294

The accompanying notes are an integral part of these consolidated financial statements.

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Notes to Consolidated Financial Statements

(Dollar amounts in tables in thousands, except per share data)

Note 1. Basis of Presentation and Nature of Operations

Interim Results

The unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). These rules and regulations permit some of the information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) to be condensed or omitted. In management's opinion, the unaudited consolidated financial statements contain all adjustments, that are of a normal recurring nature, necessary for a fair statement of the Company's results for the three-month and nine-month periods ended September 30, 2007, and September 30, 2006. Operating results for the three-month and nine-month periods ended September 30, 2007, are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006, and the notes thereto included in the Company's Annual Report on Form 10-K, filed with the SEC on March 30, 2007.

Basis of Presentation and Nature of Operations

The accompanying consolidated financial statements include the accounts of ICF International, Inc. (ICFI) and its subsidiaries (collectively, the Company). The Company provides management, technology, and policy professional services in the areas of energy and climate change, environment and infrastructure, health, human services and social programs, and homeland security and defense. The Company's major clients are the State of Louisiana and United States (U.S.) government agencies, especially the Department of Defense, the Environmental Protection Agency, the Department of Health and Human Services, the Department of Homeland Security, the Department of Transportation, and the Department of Justice; commercial entities, particularly electric and gas utilities and other energy market participants; and other government organizations throughout the U.S. and the world. The Company offers a full range of services to these clients, including strategy, analysis, program management, and information technology solutions that combine experienced professional staff, industry and institutional knowledge, and analytical methods.

The Company, incorporated in Delaware, is headquartered in Fairfax, Virginia, with 18 primary domestic regional offices and international offices in London, Moscow, New Delhi, Rio de Janeiro and Toronto.

Note 2. Acquisitions

On June 28, 2007, the Company acquired 100% of the outstanding shares of Z-Tech Corporation (Z-Tech), a privately held company that provides software engineering, web design and development, and scientific computing services in support of federal health agencies. The Company believes that by combining Z-Tech's technology and program support expertise with the Company's established presence in health communications, policy, and clearinghouses, the Company stands to gain a business edge in serving the large federal health care market, which is estimated at more than \$25 billion.

The acquisition was accounted for in accordance with the provisions of SFAS No. 141, *Business Combinations*. The initial purchase price was \$27.6 million including \$27.3 million in cash and \$0.3 million in transaction expenses. In addition to the initial consideration, the purchase agreement provides for additional cash payments of up to \$8.0 million if certain performance criteria are met. If the performance criteria are met, the additional cash payments will be recorded as goodwill. The results of operations for Z-Tech will be included in the Company's statement of operations after June 30, 2007.

The Company has engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets, but this allocation has not yet been finalized. The excess of the purchase price over the estimated fair value of the net tangible assets acquired was \$28.6 million. The Company has preliminarily allocated \$19.6 million to goodwill and \$9.0 million to other intangible assets. For this acquisition, goodwill and intangibles are not deductible for tax purposes. Pursuant to the requirements of SFAS No. 141, the acquisition did not meet the criteria of a material business combination, and therefore, *pro forma* and certain other disclosures are not provided.

During January of 2007, the Company acquired two companies:

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The Company acquired 100% of the outstanding common stock of Energy and Environmental Analysis, Incorporated (EEA), a privately held company specializing in energy market analyses, modeling, transportation and energy technology, and environmental advisory services. The Company believes that the combination of EEA's modeling framework in the natural gas sector with the Company's modeling framework in the electricity sector will create a unique analytical platform for integrated energy analysis. The Company also believes that EEA's expertise in automotive emissions and fuel efficiency technologies will expand the capabilities of the Company's transportation practice.

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The Company also acquired 100% of the outstanding common stock of Advanced Performance Consulting Group, Inc. (APCG), a privately held company that helps federal organizations develop and implement strategy, improve enterprise performance, manage change, support employee growth, and communicate effectively. APCG enjoys a reputation as a strategic advisor to senior-level federal clients.

The Company believes the acquisition of APCG to be a good strategic fit and that there are growth opportunities in numerous areas for the combined businesses.

Both acquisitions were accounted for in accordance with the provision of SFAS No. 141, Business Combinations. The aggregate purchase price of these acquisitions was \$13.4 million, including \$13.0 million in cash consideration and \$0.4 million in transaction expenses. The results of operations for EEA and APCG have been included in the Company's statement of earnings since January 1, 2007.

The Company engaged an independent valuation firm to assist management in the allocation of the purchase price to goodwill and to other acquired intangible assets. The aggregate excess of the purchase price over the estimated fair value of the net tangible assets acquired was \$11.4 million. The Company has allocated \$8.2 million to goodwill and \$3.2 million to other intangible assets. Both EEA and APCG were purchased under the election provisions of Internal Revenue Code 338(h)(10), and therefore, for these acquisitions, goodwill and intangibles are deductible for tax purposes. Supplemental *pro forma* data for the three-month and nine-month periods ended September 30, 2006, are not presented because the acquired companies' operating results were not material to the consolidated operations of the Company.

Note 3. Contract Receivables

Contract receivables consist of the following (in thousands of dollars):

	September 30, 2007	December 31, 2006
Billed	\$ 104,736	\$ 79,785
Unbilled	55,029	32,110
Allowance for doubtful accounts	(2,576)	(1,347)
Contract receivables, net	\$ 157,189	\$ 110,548

Contract receivables, net of the established allowance, are stated as amounts expected to be realized in future periods. Unbilled receivables result from revenue that has been earned in advance of billing. The unbilled receivables can be invoiced at contractually defined intervals or milestones, as well as upon completion of the contract or U.S. federal government cost audits. The Company anticipates that the majority of unbilled receivables will be substantially billed and collected within one year. Contract receivables are classified as current assets in accordance with industry practice.

The allowance for doubtful accounts is determined based upon management's best estimate of potentially uncollectible contract receivables, taking into account management's expectations of future losses on a contract-by-contract basis. The Company writes off contract receivables when such amounts are determined to be uncollectible. Losses have historically been within management's expectations.

Note 4. Commitments and Contingencies**Litigation and Claims**

Various lawsuits and claims and contingent liabilities arise in the ordinary course of the Company's business. The ultimate disposition of certain of these contingencies is not determinable at this time. The Company's management believes there are no current outstanding matters that will materially affect the Company's financial position or results of operations.

Note 5. Debt

As of September 30, 2007, the Company had no debt outstanding. During the three months ended September 30, 2007, the Company made net repayments of \$5 million on its revolving credit facility. During the nine months ended September 30, 2007, the Company used funds generated from operating activities to finance acquisitions and working capital. The Company amended its credit facility on June 28, 2007, to increase the capacity of its revolving line of credit from \$65 million to \$95 million.

Note 6. Accounting for Stock-Based Compensation

Stock Incentive Plans

Effective with the Company's initial public offering of stock in September 2006, a long-term equity incentive plan (the 2006 Plan) was adopted. The 2006 Plan permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units and other incentive awards, including restricted stock units. Under the 2006 Plan, the Company may make awards of up to 1,000,000 shares, plus an annual increase on the first day of each of the Company's

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fiscal years, beginning in 2007, equal to the lesser of 3% of the number of outstanding shares of common stock outstanding as of January 1 or a lesser amount as determined by the Board of Directors (the evergreen provision). Under this evergreen provision, 416,241 additional shares were made available under the plan as of January 1, 2007, and thereafter registered. Persons eligible to participate in the 2006 Plan include all officers and key employees of the Company, as determined by the Compensation Committee of the Board of Directors, and all non-employee directors.

Stock-Based Compensation

The Company recognized stock-based compensation expense of \$0.8 million and \$0.3 million in the three months ended September 30, 2007, and September 30, 2006, respectively, and \$2.2 million and \$0.6 million in the nine months ended September 30, 2007, and September 30, 2006, respectively, which is included in indirect and selling expenses.

As of September 30, 2007, and September 30, 2006, there was \$7.0 million and \$3.8 million, respectively, of total unrecognized compensation cost related to unvested stock-based compensation agreements. Unrecognized compensation costs are expected to be recognized over a three- to five-year period on a straight-line basis.

Stock Options

All stock options granted through 2006 were granted under an earlier plan. All stock options granted in 2007 are under the 2006 Plan.

During the nine months ended September 30, 2007, the Company granted stock options to purchase 210,000 shares of the Company's common stock at an exercise price of \$18.31 per share, the fair value of the stock on the date of grant. The Black-Scholes-Merton weighted average fair value of the options granted during the nine months ended September 30, 2007, was \$7.81 per share and was based on the assumptions in the following table:

Dividend yield	0.00%
Expected volatility	41.09%
Risk-free interest rate	4.52%
Expected term (in years)	5

These options expire in ten years and vest over three years. The Company is expensing the value of these option grants over the vesting period. No stock options were granted during the three months ended September 30, 2007. The aggregate intrinsic value of options outstanding and exercisable was approximately \$18.3 million. The intrinsic value of the unvested options granted in the nine months ended September 30, 2007, was approximately \$1.9 million.

In accordance with SFAS No. 123(R), *Share-Based Payment*, for periods beginning on or after January 1, 2006, excess tax benefits from the exercise of stock options are presented as financing cash flows. The excess tax benefits totaled approximately \$0.7 million and \$3.0 million, respectively, for the three months and nine months ended September 30, 2007. There were no excess tax benefits for the three months or nine months ended September 30, 2006.

The following table depicts stock option activity for the nine months ended September 30, 2007:

	Options Outstanding	
	Shares	Weighted-Average Exercise Price
As of December 31, 2006	1,487,082	\$ 6.01
Options granted in 2007	210,000	\$ 18.31
Options forfeited or cancelled		
Options exercised	(640,091)	6.02
As of September 30, 2007	1,056,991	\$ 8.45

Restricted Stock and Restricted Stock Units

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Pursuant to the 2006 Plan, the Company awarded 56,100 restricted stock units (RSUs) to employees during the nine months ended September 30, 2007. The RSUs vest over three years under varying schedules. Upon vesting, the employee is issued one share of stock for each RSU he or she holds. The RSUs were valued based on the grant date value of a share of common stock. The weighted-average grant date fair value of the RSUs was \$18.67 per share.

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The activity related to RSUs during the nine months ended September 30, 2007, was as follows:

	Shares
Outstanding December 31, 2006	464,000
Granted	56,100
Forfeited	(35,500)
Outstanding September 30, 2007	484,600

Note 7. Income Taxes

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. In addition, FIN 48 provides guidance on the derecognition, classification, accounting in interim periods, and disclosure requirements for uncertain tax positions. The Company adopted FIN 48 on January 1, 2007, and has developed and implemented a process based on the guidelines of FIN 48 to ensure that uncertain tax positions are identified, analyzed, and properly reported in its financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*.

Based on currently known facts and circumstances and current tax law, the Company believes that the total amount of unrecognized tax benefits as of September 30, 2007, is \$0.9 million, which includes \$0.1 million of accrued penalties and interest related to the unrecognized tax benefits. The unrecognized tax benefits, including the accrued penalties and interest, were recorded as an increase to income taxes payable and a reduction of retained earnings in the balance sheet. Interest expense and penalty expense related to income taxes, if any, are included in interest expense and indirect and selling expenses, respectively, in the statement of earnings.

The total amount of unrecognized tax benefits as of September 30, 2007, if recognized, would have a \$0.9 million effect on income tax expense and would impact the effective tax rate. There are no tax positions the Company has taken for which it is reasonably possible that the unrecognized tax benefits will significantly increase or decrease over the next 12 months producing individually, or in the aggregate, a material effect on its results of operations, financial condition, or cash flows. The Company remains subject to examination by major tax jurisdictions for tax years 2004 through 2006.

The Company has not yet determined the effect, if any, that the acquisition of Z-Tech will have on the amount of unrecognized tax benefits, but expects to make this determination by the end of 2007.

Note 8. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing reported net income by the weighted-average number of shares outstanding. Diluted EPS considers the potential dilution that could occur if common stock equivalents were exercised or converted into stock. The difference between the basic and diluted weighted-average equivalent shares with respect to the Company's EPS calculation is due entirely to the assumed exercise of stock options and the vesting of restricted stock and RSUs. The dilutive effect of stock options, restricted stock, and RSUs for each period reported is summarized below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net Income	\$ 11,094	\$ 2,973	\$ 30,936	\$ 2,661
Weighted-average number of basic shares outstanding during the period	14,299	9,334	14,060	9,242
Dilutive effect of stock options, restricted stock and RSUs	700	1,141	740	1,141
Weighted-average number of diluted shares outstanding during the period	14,999	10,475	14,800	10,383

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Basic earnings per share	\$ 0.78	\$ 0.32	\$ 2.20	\$ 0.29
Diluted earnings per share	\$ 0.74	\$ 0.28	\$ 2.09	\$ 0.26

Note 9. Recent Pronouncements

On February 15, 2007, the FASB issued FASB Statement No. 159 (SFAS No. 159), *The Fair Value Option for Financial Assets and Liabilities*, including an amendment of FASB Statement No. 115. SFAS No. 159 provides for the option to recognize most financial assets and liabilities and certain other items at fair value. SFAS No. 159 requires each company to provide additional information that will help investors and other users of financial statements more easily understand the effect of the company's choice to use fair value on its earnings. SFAS No. 159 is effective for the Company beginning January 1, 2008. The Company is evaluating the statement to determine its effect, if any, on its future financial statements and related disclosures.

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Note 10. Subsequent Event

On November 9, 2007, the Company entered into a merger agreement with Simat, Helliesen & Eichner, Inc. (SH&E), a consulting firm specializing in air transport, pursuant to which SH&E will become a wholly-owned subsidiary of the Company. The transaction is expected to close by the end of the calendar year. The purchase price will be approximately \$51.0 million, excluding transaction costs, and is subject to adjustments for working capital and indemnification escrows, and certain closing conditions.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* **FORWARD-LOOKING STATEMENTS**

Some of the statements in this Quarterly Report on Form 10-Q constitute forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify these statements by forward-looking words such as anticipate, believe, could, estimate, expect, intend, may, plan, potential, should, will, would or similar words. Statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial position, or state other forward-looking information. The factors described in our filings with the SEC, as well as any cautionary language in this Quarterly Report on Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements, including but not limited to:

changes in the spending priorities of our clients;

failure by Congress to approve budgets in a timely fashion;

our dependence on contracts with state and federal government agencies and departments for the majority of our revenue and our ability to win large-value procurements;

performance by us and our subcontractors under a major contract with the State of Louisiana, Office of Community Development (The Road Home contract), including exposure to damages, audits, penalties, public scrutiny and adverse publicity;

acceleration of performance and revenues under The Road Home contract, including the effects of the accelerated distribution of available program funds, on the one hand, and significant audit risks associated with, and possible termination of, The Road Home contract, on the other hand;

our possible inability to replace revenue and income generated by The Road Home contract;

results of government audits and investigations;

an economic downturn in the energy sector;

failure to receive the full amount of our backlog;

loss of members of management or other key employees;

difficulties implementing our acquisition strategy; and

difficulties expanding our service offerings and client base.

Additional factors that may affect our results are discussed in our Annual Report on Form 10-K for the year ended December 31, 2006, in Part I, Item 1A, entitled Risk Factors. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update these forward-looking statements, even if our situation changes in the future.

The terms we and our as used throughout this Quarterly Report on Form 10-Q refer to ICF International, Inc. and its consolidated subsidiaries, unless otherwise indicated.

OVERVIEW

We provide management, technology and policy consulting and implementation services to government, commercial and international clients. We help our clients conceive, develop, implement and improve solutions that address complex economic, social and national security issues. Our services primarily address four key markets: energy and climate change; environment and infrastructure; health, human services and social programs; and homeland security and defense.

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Increased government involvement in virtually all aspects of our lives has created opportunities for us to resolve issues at the intersection of the public and private sectors. We believe that demand for our services will continue to grow as government, industry and other stakeholders seek to understand and respond to geopolitical and demographic changes, budgetary constraints, heightened environmental and social concerns, rapid technological changes, and increasing globalization.

Our clients utilize our services because we combine diverse institutional knowledge and experience in their activities with the deep subject matter expertise of our highly educated staff, which we deploy in multi-disciplinary teams. Our federal government clients have included every cabinet-level department, including the Department of Defense, the Environmental Protection Agency, the Department of Health and Human Services, the Department of Homeland Security, the Department of Transportation, the Department of Justice, and the Department of Energy. U.S. federal government clients generated approximately 26% of our revenue for the nine months ended September 30, 2007, and 49% of our revenue in the full year 2006. We are comparing the breakdown of our year-to-date 2007 revenue in this paragraph to our revenue for the full year 2006 because we were awarded The Road Home contract in June 2006, which substantially increased the revenue generated from our state and local government clients. Our largest state and local government client is the state of Louisiana. State and local government clients generated approximately 67% of our revenue for the nine months ended September 30, 2007, and approximately 40% of our revenue in the full year 2006. The Road Home contract accounted for approximately 65% of our revenue for the nine months ended September 30, 2007, and approximately 35% of our revenue in the full year 2006. We also serve commercial and international clients, primarily in the energy sector, including electric and gas utilities, oil companies and law firms. Our commercial and international clients, including government clients outside the United States, generated approximately 7% of our revenue for the nine months ended September 30, 2007, and 11% of our revenue in the full year 2006. We have successfully worked with many of these clients for decades, with the result that we have a unique and knowledgeable perspective on their needs.

We partner with our clients to solve complex problems and produce mission-critical results. Across our markets, we provide end-to-end services that deliver value throughout the entire life of a policy, program, project or initiative:

Advisory Services. We help our clients analyze the policy, regulatory, technology and other challenges facing them and develop strategies and plans for responding. Our advisory and management consulting services include needs and markets assessment, policy analysis, strategy and concept development, change management strategy, enterprise architecture and program design.

Implementation Services. We implement and manage technological, organizational and management solutions for our clients, often based on the results of our advisory services. Our implementation services include information technology solutions, project and program management, project delivery, strategic communications and training.

Evaluation and Improvement Services. In support of advisory and implementation services, we provide evaluation and improvement services to help our clients increase the future efficiency and effectiveness of their programs. These services include program evaluation, continuous improvement initiatives, performance management, benchmarking and return-on-investment analyses.

We have more than 2,500 employees, including many who are recognized thought leaders in their respective fields. We serve clients globally from our headquarters in the metropolitan Washington, D.C. area, our 18 primary domestic regional offices throughout the United States, and our five international offices in London, Moscow, New Delhi, Rio de Janeiro and Toronto.

On October 3, 2006, we completed our IPO. In connection with the IPO, we issued 3,659,448 shares of common stock at an offering price of \$12 per share. On October 23, 2006, in accordance with the terms of our agreement with the underwriters of the IPO, we sold an additional 700,500 shares at \$12 per share, representing a full exercise of the underwriters' over-allotment option. Including the over-allotment option, we issued a total of 4,359,948 shares of common stock in the IPO for total gross proceeds of \$52.3 million.

Prior to and in connection with the closing of the IPO, on September 26, 2006, the Company increased the amount of authorized common shares from 20,000,000 shares to 70,000,000 shares and changed the par value of common stock from \$.01 per share to \$.001 per share. The Company also amended its Certificate of Incorporation to provide the authority to issue 5,000,000 shares of preferred stock with a par value of \$0.001 per share. Dividends, if any, on outstanding shares of preferred stock shall be paid or declared and set apart for payment before any dividends shall be paid or declared and set apart for payment on shares of common stock with respect to the same dividend period. If upon any liquidation, dissolution or winding up of the Company, assets are insufficient to pay the preferred shareholders the amounts to which they are entitled, any such assets shall be distributed ratably among the shareholders in accordance with their respective priorities and preferential amounts (including

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unpaid cumulative dividends, if any). No shares of preferred stock had been issued as of September 30, 2007.

OUTLOOK

In June 2006, our subsidiary, ICF Emergency Management Services, LLC, was awarded The Road Home contract described above. As discussed below, The Road Home contract has had a significant impact on our results of operations beginning in the third quarter

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of 2006, accounting for approximately 35% of our revenue for all of 2006 and approximately 65% of our revenue for the nine months ended September 30, 2007. The contract has a stated term of three years. However, due to the acceleration of the program, we expect the portion of the program for which there is funding may be concluded during 2008. The acceleration of the program has also accelerated the pace at which we have earned fees compared to anticipated fee earnings over what had been expected to be a three-year program. This factor, together with the challenges of predicting the future timing of work by our numerous subcontractors, makes it especially difficult for us to forecast the revenues and earnings associated with the contract, and may accelerate to earlier periods our need to win new business to replace the revenues from the contract.

We do not expect to be able to replace the revenues derived from The Road Home contract solely with organic growth in our existing businesses or from different services, clients, practice areas, offices, geographic focus, or otherwise. As a result, our future results will depend in part on the success of our strategy to continue to make strategic acquisitions and successfully integrate those acquisitions. We announced the purchase of SH&E on November 12, 2007. We are continuing to evaluate other acquisition opportunities, and at any given point in time we may be evaluating several such opportunities. There is no assurance that we will be able complete or successfully integrate additional acquisitions.

DESCRIPTION OF CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements in accordance with US GAAP requires that we make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses, as well as the disclosure of contingent assets and liabilities. If any of these estimates or judgments proves to be incorrect, our reported results could be materially affected. Actual results may differ significantly from our estimates under different assumptions or conditions. We believe that the estimates, assumptions and judgments involved in the accounting practices described below have the greatest potential impact on our financial statements and therefore consider them to be critical accounting policies.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the contract price is fixed or determinable, and collectibility is reasonably assured. We enter into contracts that are either time-and-materials contracts, cost-based contracts or fixed-price contracts.

Time-and-Materials Contracts. Revenue under time-and-materials contracts is recognized as costs are incurred. Revenue for time-and-materials contracts is recorded on the basis of allowable labor hours worked multiplied by the contract-defined billing rates, plus the costs of other items used in the performance of the contract. Profit and losses on time-and-materials contracts result from the difference between the cost of services performed and the contract-defined billing rates for these services.

Cost-Based Contracts. Revenue under cost-based contracts is recognized as costs are incurred. Applicable estimated profit, if any, is included in earnings in the proportion that incurred costs bear to total estimated costs. Incentives, award fees, or penalties related to performance are also considered in estimating revenue and profit rates based on actual and anticipated awards.

Fixed-Price Contracts. Revenue for fixed-price contracts is recognized when earned, generally as work is performed in accordance with the provisions of SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*. Services performed vary from contract to contract and are not uniformly performed over the term of the arrangement. Revenue on certain fixed-price contracts is recorded each period based on contract costs incurred to date compared with total estimated costs at completion (cost-to-cost method). Performance is based on the ratio of costs incurred to total estimated costs where the costs incurred represent a reasonable surrogate for output measures of contract performance, including the presentation of deliverables to the client. Progress on a contract is matched against project costs and costs to complete on a periodic basis. Clients are obligated to pay as services are performed, and in the event that a client cancels the contract, payment for services performed through the date of cancellation is negotiated with the client. Revenue on certain fixed-price contracts is recognized ratably over the period benefited. Revenue on certain other fixed-price contracts is recorded based on units delivered to the customer multiplied by the contract-defined unit price.

Revenue recognition requires us to use judgment relative to assessing risks, estimating contract revenue and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of revenue and cost at completion can be complicated and is subject to many variables. Contract costs include labor, subcontracting costs and other direct costs, as well as allocation of allowable indirect costs. We must also make assumptions regarding the length of time to complete the contract because costs also include expected increases in wages, prices for subcontractors and other direct costs. From time to time, facts develop that require us to revise our estimated total costs and revenue on a contract. To the extent that a revised estimate affects contract profit or revenue previously recognized, we record the cumulative effect of the revision in the period in which the facts requiring the revision become known. Provision for the full amount of an anticipated loss on any type of contract is recognized in the period in which it becomes probable and can be reasonably estimated. As a result, operating results could be affected by revisions to prior accounting estimates.

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We generate invoices to clients in accordance with the terms of the applicable contract, which may not be directly related to the performance of services. Unbilled receivables are invoiced based upon the achievement of specific events as defined by each contract including deliverables, timetables and incurrence of certain costs. Unbilled receivables are classified as a current asset. Advanced billings to clients in excess of revenue earned are recorded as deferred revenue until the revenue recognition criteria are met. Reimbursements of out-of-pocket expenses are included in revenue with corresponding costs incurred by us included in cost of revenue.

From time to time, we may proceed with work based on client direction prior to the completion and signing of formal contract documents. We have a formal review process for approving any such work. Revenue associated with such work is recognized only when it can reliably be estimated and realization is probable. We base our estimates on a variety of factors, including previous experiences with the client, communications with the client regarding funding status, and our knowledge of available funding for the contract.

Goodwill and the Amortization of Intangible Assets

Costs in excess of the fair value of tangible and identifiable intangible assets acquired and liabilities assumed in a business combination are recorded as goodwill, in accordance with SFAS No. 141, *Business Combinations*. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are instead reviewed annually (or more frequently if impairment indicators arise) for impairment in accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-lived Assets*.

We have elected to perform the annual goodwill impairment review as of September 30 of each year during the fourth quarter. Based upon management's most recent review, including a valuation report issued by an investment bank, we determined that no goodwill impairment charge was required for 2006. Historically, there have been no goodwill impairment charges recorded by the Company.

We follow the provisions of SFAS No. 144 in accounting for impairment or disposal of long-lived assets. SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less cost to sell.

New Accounting Standards

On February 15, 2007, the FASB issued FASB Statement No. 159 (SFAS No. 159), *The Fair Value Option for Financial Assets and Liabilities*, including an amendment of FASB Statement No. 115. SFAS No. 159 provides for the option to recognize most financial assets and liabilities and certain other items at fair value. SFAS No. 159 requires each company to provide additional information that will help investors and other users of financial statements more easily understand the effect of the company's choice to use fair value on its earnings. SFAS No. 159 is effective for us beginning January 1, 2008. We are evaluating the statement to determine its effect, if any, on our future financial statements and related disclosures.

DIRECT COSTS

Direct costs consist primarily of costs incurred to provide services to clients, the most significant of which include employee salaries and wages, plus associated fringe benefits, relating to specific client engagements. Direct costs also include the costs of subcontractors and outside consultants, third-party materials and any other related direct costs, such as travel expenses.

We generally expect the ratio of direct costs as a percentage of revenue to decline when our own labor increases relative to subcontracted labor or outside consultants. Conversely, as subcontracted labor or outside consultants for clients increase relative to our own labor, we expect the ratio to increase. This increase has in fact occurred, primarily due to the relatively high level of subcontractor costs associated with The Road Home contract.

Changes in the mix of services and other direct costs provided under our contracts can result in variability in our direct costs as a percentage of revenue. For example, if we are successful in our strategy to increase the proportion of our work in the area of implementation (as in the case of The Road Home contract), we expect that more of our services will be performed in client-provided facilities and/or with dedicated staff. Such work generally has a higher proportion of direct costs than much of our current advisory work, and we anticipate that higher utilization of such staff will decrease the amount of indirect expenses. In addition, to the extent we are successful in winning larger contracts, our own labor

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services component could decrease because larger contracts typically are broader in scope and require more diverse capabilities, potentially resulting in more subcontracted labor, increased other direct costs

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and lower margins. Although these factors could lead to a higher ratio of direct costs as a percentage of revenue, the economics of these larger jobs are nonetheless generally favorable because they increase income, broaden our revenue base, and have a favorable return on invested capital.

OPERATING COSTS AND EXPENSES

Our operating costs and expenses consist of indirect and selling expenses, including non-cash compensation, and depreciation and amortization.

Indirect and Selling Expenses

Indirect and selling expenses include our management, facilities and infrastructure costs for all employees, as well as salaries and wages, plus associated fringe benefits, not directly related to client engagements. Among the functions covered by these expenses are marketing, business and corporate development, bids and proposals, facilities, information technology and systems, contracts administration, accounting, treasury, human resources, legal, corporate governance and executive and senior management. We include all of our cash incentive compensation in this item, as well as non-cash incentive compensation such as stock-based compensation provided to employees whose compensation and other benefit costs are included in both direct costs and indirect and selling expenses.

Non-Cash Compensation

The Company recognized stock-based compensation expense of \$0.8 million and \$0.3 million in the three months ended September 30, 2007, and September 30, 2006, respectively, and \$2.2 million and \$0.6 million in the nine months ended September 30, 2007, and September 30, 2006, respectively, which is included in indirect and selling expenses.

As of September 30, 2007, there was \$7.0 million of total unrecognized compensation cost related to unvested stock-based compensation. These unrecognized compensation costs are expected to be recognized over a three- to five-year period on a straight-line basis.

Depreciation and Amortization

Depreciation and amortization include the depreciation of computers, furniture, and other equipment; the amortization of the costs of software we use internally; leasehold improvements; and the amortization of intangible assets arising from acquisitions.

INCOME TAX EXPENSE

Our effective tax rate of 40.7% for the nine months ended September 30, 2007, was higher than the statutory tax rate primarily due to permanent tax differences related to expenses not deductible for tax purposes and prior year adjustments, decreased by a federal tax credit.

RESULTS OF OPERATIONS

Three Months ended September 30, 2007, compared to Three Months ended September 30, 2006

The following table sets forth certain items from our unaudited consolidated statements of operations and the period-over-period rate of change in each of them and expresses these items as a percentage of revenue for the periods indicated.

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	Three Months Ended September 30,				Year-to-Year Change	
	2007	2006	2007	2006	Three Months Ended September 30, 2006 to 2007	
	Dollars		Dollars		Dollars	
	(In Thousands)		Percentages		(In Thousands)	Percent
Revenue	\$ 198,813	\$ 107,801	100.0%	100.0%	\$ 91,012	84.4%
Direct Costs	147,468	73,213	74.2%	67.9%	74,255	101.4%
Operating Expenses						
Indirect and selling expenses	29,639	27,299	14.9%	25.3%	2,340	8.6%
Depreciation and amortization	1,879	949	0.9%	0.9%	930	98.0%
Total Operating Expenses	31,518	28,248	15.8%	26.2%	3,270	11.6%
Earnings from Operations	19,827	6,340	10.0%	5.9%	13,487	212.7%
Other (Expense) Income						
Interest expense, net	(600)	(1,181)	(0.3)%	(1.1)%	581	(49.2)%
Other		290	0.0%	0.3%	(290)	
Income before Income Taxes	19,227	5,449	9.7%	5.1%	13,778	252.9%
Income Tax Expense	8,133	2,476	4.1%	2.3%	5,657	228.5%
Net Income	\$ 11,094	\$ 2,973	5.6%	2.8%	\$ 8,121	273.2%

Revenue. Revenue for the three months ended September 30, 2007, was \$198.8 million, compared to \$107.8 million for the three months ended September 30, 2006, representing an increase of \$91.0 million or 84.4%. The increase was primarily due to increased revenue associated with The Road Home contract for the three months ended September 30, 2007.

Direct costs. Direct costs for the three months ended September 30, 2007, were \$147.5 million, or 74.2% of revenue, compared to \$73.2 million, 67.9% of revenue, for the three months ended September 30, 2006. This increase resulted primarily from the corresponding increase in activities under The Road Home contract, which included an increase in subcontracted costs to other parties.

Indirect and selling expenses. Indirect and selling expenses for the three months ended September 30, 2007, were \$29.6 million, or 14.9% of revenue, compared to \$27.3 million, or 25.3% of revenue for the three months ended September 30, 2006. The increase in indirect and selling expenses was due principally to indirect costs associated with the operations of Z-Tech. The decrease in indirect costs as a percentage of revenue for the three months ended September 30, 2007, was primarily attributable to the large increase in revenue on The Road Home contract. Given the significance of subcontracted work on The Road Home project, there has not been a substantial increase in indirect costs to support the current revenue volume.

Depreciation and amortization. Depreciation and amortization for the three months ended September 30, 2007, was \$1.9 million, or 0.9% of revenue, compared to \$0.9 million, or 0.9% of revenue for the three months ended September 30, 2006. This 98% increase in depreciation and amortization resulted primarily from the amortization of intangible assets recorded as a result of our January 2007 and June 2007 acquisitions.

Earnings from Operations. For the three months ended September 30, 2007, earnings from operations were \$19.8 million, or 10.0% of revenue, compared to \$6.3 million, or 5.9% of revenue for the three months ended September 30, 2006. Earnings from operations increased primarily due to the increased volume of services from The Road Home contract for the three months ended September 30, 2007, and the non-recurring \$2.7 million charge to earnings for a one-time bonus accrued in the third quarter of 2006.

Interest expense, net. For the three months ended September 30, 2007, net interest expense was \$0.6 million, compared to \$1.2 million for the three months ended September 30, 2006. The 49.2% decrease was due primarily to lower levels of debt resulting from the completion of our initial public offering in September of 2006 and improved operating cash flows.

Income tax expense. Our effective income tax rate for the three months ended September 30, 2007, was 42.3% compared to 45.4% for the three months ended September 30, 2006. The effective tax rate decreased due to a significant decrease in the ratio of non-tax-deductible expenses to estimated income.

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Nine Months ended September 30, 2007, compared to Nine Months ended September 30, 2006

The following table sets forth certain items from our unaudited consolidated statements of operations and the period-over-period rate of change in each of them and expresses these items as a percentage of revenue for the periods indicated.

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	Nine Months Ended September 30,				Year-to-Year Change	
	2007	2006	2007	2006	Nine Months Ended September 30, 2006 to 2007	
	Dollars				Dollars	
	(In Thousands)		Percentages		(In Thousands)	Percent
Revenue	\$ 540,697	\$ 217,394	100.0%	100.0%	\$ 323,303	148.7%
Direct Costs	398,260	139,675	73.7%	64.3%	258,585	185.1%
Operating Expenses						
Indirect and selling expenses	85,107	67,160	15.7%	30.9%	17,947	26.7%
Depreciation and amortization	4,220	2,615	0.8%	1.2%	1,605	61.4%
Total Operating Expenses	89,327	69,775	16.5%	32.1%	19,552	28.0%
Earnings from Operations	53,110	7,944	9.8%	3.6%	45,166	568.6%
Other (Expense) Income						
Interest expense, net	(928)	(3,346)	(0.2)%	(1.5)%	2,418	(72.3)%
Other	26	290	0.0%	0.1%	(264)	(91.0)%
Income (loss) before Income Taxes	52,208	4,888	9.6%	2.2%	47,320	968.1%
Income Tax Expense	21,272	2,227	3.9%	1.0%	19,045	855.2%
Net Income	\$ 30,936	\$ 2,661	5.7%	1.2%	\$ 28,275	1062.6%

Revenue. Revenue for the nine months ended September 30, 2007, was \$540.7 million, compared to \$217.4 million for the nine months ended September 30, 2006, representing an increase of \$323.3 million, or 148.7%. The increase was primarily due to revenue of \$350.6 million associated with The Road Home contract for the nine months ended September 30, 2007, compared to revenue of \$55.5 million for the nine months ended September 30, 2006.

Direct costs. Direct costs for the nine months ended September 30, 2007, were \$398.3 million, or 73.7% of revenue, compared to \$139.7 million, or 64.3% of revenue, for the nine months ended September 30, 2006. This increase resulted primarily from the corresponding increase in activities under The Road Home contract. The increase in direct costs as a percentage of revenue was primarily attributable to the large percentage of work that was subcontracted to other parties on The Road Home contract.

Indirect and selling expenses. Indirect and selling expenses for the nine months ended September 30, 2007, were \$85.1 million, or 15.7% of revenue, compared to \$67.2 million, or 30.9% of revenue, for the nine months ended September 30, 2006. The 26.7% increase in indirect and selling expenses was due principally to compensation expense. The decrease in indirect costs as a percentage of revenue for the nine months ended September 30, 2007, was primarily attributable to the large increase in revenue on The Road Home contract (primarily from increased subcontractor activities).

Depreciation and amortization. Depreciation and amortization for the nine months ended September 30, 2007, was \$4.2 million, or 0.8% of revenue, compared to \$2.6 million, or 1.2% of revenue, for the nine months ended September 30, 2006. This 61.4% increase in depreciation and amortization resulted primarily from the amortization of intangible assets recorded as a result of our January 2007 and June 2007 acquisitions.

Earnings from Operations. For the nine months ended September 30, 2007, earnings from operations were \$53.1 million, or 9.8% of revenue, compared to \$7.9 million, or 3.6% of revenue, for the nine months ended September 30, 2006. Earnings from operations increased primarily due to the increased volume of services from The Road Home contract for the nine months ended September 30, 2007, and the non-recurring \$4.3 million charge to earnings for the abandonment of space in Lexington and San Francisco in the second quarter ended June 30, 2006, and a \$2.7 million one-time charge for a bonus accrued in the third quarter of 2006.

Interest expense, net. For the nine months ended September 30, 2007, net interest expense was \$0.9 million, compared to \$3.3 million for the nine months ended September 30, 2006. The 72.3% decrease was due primarily to lower levels of debt resulting from the completion of our initial public offering in the fall of 2006 and improved operating cash flows.

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Income tax expense. Our effective income tax rate for the nine months ended September 30, 2007, was 40.7% compared to 45.6% for the nine months ended September 30, 2006. The effective tax rate decreased due to a significant decrease in the ratio of non-tax-deductible expenses to estimated income and the use of a federal tax credit.

SELECTED KEY METRICS

Revenue

We earn revenue from services that we provide to government and commercial clients in four key markets:

energy and climate change;

environment and infrastructure;

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health, human services and social programs; and

homeland security and defense.

The following table shows our revenue from each of our four markets as a percentage of total revenue for the periods indicated. For each client, we have attributed all revenue from that client to the market we consider to be the client's primary market, even if a portion of that revenue relates to a different market. The Road Home contract is classified in our health, human services and social programs market.

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Energy and climate change	8%	9%	8%	13%
Environment and infrastructure	9%	14%	8%	21%
Health, human services and social programs	75%	64%	76%	45%
Homeland security and defense	8%	13%	8%	21%
Total	100%	100%	100%	100%

Our primary clients are the State of Louisiana and agencies and departments of the U.S. federal government. The following table shows our revenue by type of client as a percentage of total revenue for the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
U.S. state and local government	65%	55%	67%	32%
U.S. federal government	28%	36%	26%	56%
Domestic commercial	5%	6%	5%	8%
International	2%	3%	2%	4%
Total	100%	100%	100%	100%

Revenue generated from our state and local government clients has increased in 2007, due primarily to our work in connection with The Road Home contract.

Contract Mix

Our contracts with clients include time-and-materials contracts, cost-based contracts (including cost-based fixed fee, cost-based award fee and cost-based incentive fee, as well as grants and cooperative agreements), and fixed-price contracts. Our contract mix varies from year to year due to numerous factors, including our business strategies and the procurement activities of our clients. Unless the content requires otherwise, we use the term "contracts" to refer to contracts and any task orders or delivery orders issued under a contract. The following table shows our revenue from each of these types of contracts as a percentage of total revenue for the periods indicated.

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Time-and-materials	57%	43%	54%	43%
Cost-based	9%	15%	8%	24%
Fixed-price	34%	42%	38%	33%

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Total 100% 100% 100% 100%

Time-and-materials contracts. Under time-and-materials contracts, we are paid for labor at fixed hourly rates and generally reimbursed separately for allowable materials, other direct costs and out-of-pocket expenses. Our actual labor costs may vary from the expected costs that formed the basis for our negotiated hourly rates if we utilize different employees than anticipated, need to hire additional employees at higher wages, increase the compensation paid to existing employees, or are able to hire employees at lower-than-expected rates. Our non-labor costs, such as fringe benefits, overhead and general and administrative costs, also may be higher or lower than we anticipated. To the extent that our actual labor and non-labor costs under a time-and-materials contract vary significantly from the negotiated hourly rates, we can generate more or less than the targeted amount of profit or, perhaps, a loss.

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Cost-based contracts. Under cost-based contracts, we are paid based on the allowable costs we incur, and usually receive a fee. All of our cost-based contracts reimburse us for our direct labor and fringe-benefit costs that are allowable under the contract, but many limit the amount of overhead and general and administrative costs we can recover, which may be less than our actual overhead and general and administrative costs. In addition, our fees are constrained by fee ceilings and in certain cases, such as with grants and cooperative agreements, we may receive no fee. Because of these limitations, our cost-based contracts, on average, are our least profitable type of contract and we may generate less than the expected return. Cost-based fixed fee contracts specify the fee to be paid. Cost-based incentive fee and cost-based award fee contracts provide for increases or decreases in the contract fee, within specified limits, based upon actual results as compared to contractual targets for factors such as cost, quality, schedule and performance.

Fixed-price contracts. Under fixed-price contracts, we perform specific tasks for a pre-determined price. Compared to time-and-materials and cost-based contracts, fixed-price contracts involve greater financial risk because we bear the full impact of labor and non-labor costs that exceed our estimates, in terms of costs per hour, number of hours, and all other costs of performance, in return for the full benefit of any cost savings. We therefore may generate more or less than the targeted amount of profit or, perhaps, a loss.

Contract Backlog

We define *total backlog* as the future revenue we expect to receive from our contracts and other engagements. We generally include in backlog the estimated revenue represented by contract options that have been priced, though not exercised. We do not include any estimate of revenue relating to potential future delivery orders that might be awarded under our General Services Administration Multiple Award Schedule contracts, other Indefinite Delivery/Indefinite Quantity (IDIQ) contracts, or other contract vehicles that are also held by a large number of firms, and under which potential future delivery orders or task orders might be issued by any of a large number of different agencies and are likely to be subject to a competitive bidding process. We do, however, include potential future work expected to be awarded under IDIQ contracts that are available to be utilized by a limited number of potential clients and are held either by us alone or by a limited number of firms.

We include expected revenue in *funded backlog* when we have been authorized by the client to proceed under a contract up to the dollar amount specified by our client, and this amount will be owed to us under the contract after we provide the services pursuant to the authorization. If we do not provide services authorized by a client prior to the expiration of the authorization, we remove amounts corresponding to the expired authorization from backlog. We do include expected revenue under an engagement in funded backlog when we do not have a signed contract if we have received client authorization to begin or continue working and we expect to sign a contract for the engagement. In this case, the amount of funded backlog is limited to the amount authorized. Our funded backlog does not represent the full revenue potential of our contracts because government clients, and sometimes other clients, generally authorize work under a particular contract on a yearly or more frequent basis, even though the contract may extend over a number of years. Most of the services we provide to commercial clients are provided under contracts with relatively short durations that authorize us to provide services and, as a consequence, our backlog attributable to these clients is typically reflected in funded backlog and not in unfunded backlog.

We define *unfunded backlog* as the difference between total backlog and funded backlog. Our revenue estimates for purposes of determining unfunded backlog for a particular contract are based, to a large extent, on the amount of revenue we have recently recognized on that contract, our experience in utilizing contract capacity on similar types of contracts, and our professional judgment. Our revenue estimate for a contract included in backlog is sometimes lower than the revenue that would result from our client utilizing all remaining contract capacity.

Although we expect our contract backlog to result in revenue, the timing of revenue associated with both funded and unfunded backlog will vary based upon a number of factors, and we may not recognize revenue associated with a particular component of backlog when anticipated, or at all. Our government clients generally have the right to cancel any contract, or ongoing or planned work under any contract, at any time. In addition, there can be no assurance that revenue from funded or unfunded backlog will have similar profitability to previous work or will be profitable at all. Generally speaking, we believe the risk that a particular component of backlog will not result in future revenue is higher for unfunded backlog than for funded backlog.

Our estimates of funded, unfunded and total backlog at the dates indicated were as follows:

	September 30,	
	2007	2006
	(in millions)	
Funded	\$ 508.2	\$ 154.1
Unfunded	\$ 300.3	\$ 163.3

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Total	\$ 808.5	\$ 317.4
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The backlog estimates at September 30, 2007, include an estimated funded backlog of \$289.4 million associated with The Road Home contract, and \$65.5 of total backlog associated with Z-Tech.

Table of Contents**FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

Financial Condition. Contract receivables, net, increased to \$157.2 million as of September 30, 2007, compared to \$110.5 million as of December 31, 2006, due to growth in revenue, most significantly under The Road Home contract. The other significant change in our assets from December 31, 2006, was an increase in goodwill from \$83.8 million to \$111.7 million as of September 30, 2007, resulting from our acquisitions of EEA, APCG, and Z-Tech.

Our current liabilities increased to \$140.8 million as of September 30, 2007, from \$96.3 million as of December 31, 2006, due primarily to an \$18.2 million increase in accounts payable and an \$21.0 million increase in accrued expenses. Both of these increases were primarily attributable to activity levels (including those of subcontractors) under The Road Home contract. There was no net increase in long-term debt from December 31, 2006 to September 2007.

Liquidity. Short-term liquidity requirements are created by our use of funds for working capital, capital expenditures, and the need to provide debt service. We expect to meet these requirements through a combination of cash flow from operations and borrowings under our Amended and Restated Credit Agreement.

We anticipate that our long-term liquidity requirements, including any further acquisitions, will be funded through a combination of cash flow from operations, borrowings under our Amended and Restated Credit Agreement, additional secured or unsecured debt, or the issuance of common or preferred stock, each of which may be initially funded through borrowings under our Amended and Restated Credit Agreement.

Under the terms of our Amended and Restated Credit Agreement, we are required to comply with financial and non-financial covenants. We were in compliance with all such covenants as of September 30, 2007.

Cash and Cash Equivalents. We consider cash on deposit and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents, including marketable securities, was \$2.1 million and \$3.0 million on September 30, 2007, and December 31, 2006, respectively.

Credit Facility and Borrowing Capacity. We amended our Amended and Restated Credit Agreement on June 28, 2007, to increase the capacity of our revolving line of credit from \$65 million to \$95 million. In this amendment, our lenders also consented to our acquisition of Z-Tech. As of September 30, 2007, we had a borrowing base of \$95 million, with \$0 million outstanding on our revolving line of credit and letters of credit outstanding totaling \$0.5 million, resulting in a borrowing availability of \$94.5 million.

Cash Flow. The following table sets forth our sources and uses of cash for the nine months ended September 30, 2007, and September 30, 2006:

	Nine Months Ended	
	September 30, 2007	September 30, 2006
	(in thousands)	
Net cash provided by operations	\$ 35,558	\$ 39,172
Net cash used in investing activities	(43,742)	(2,612)
Net cash provided by financing activities	7,064	(35,419)
Effect of exchange rate on cash	197	(45)
Net (decrease) increase in cash	\$ (923)	\$ 1,096

Our operating cash flow is primarily affected by the overall profitability of our contracts, our ability to invoice and collect from our clients in a timely manner, and our ability to manage our vendor payments. We bill most of our clients monthly after services are rendered. Operating activities provided cash of \$35.6 million in the nine months ended September 30, 2007; operating activities provided \$39.2 million of cash in the nine months ended September 30, 2006. Cash flows from operating activities for the first nine months of 2007 were positively impacted by increased profitability and the timing of subcontract and vendor payments, which largely offset an increase in contract receivables.

Investing activities used cash of \$43.7 million for the nine months ended September 30, 2007, compared to \$2.6 million for the nine months ended September 30, 2006. The cash used in investing activities for the first nine months of 2007 was primarily for payments for business acquisitions. The cash used in investing activities for the first nine months of 2006 was primarily for capital expenditures.

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For the nine months ended September 30, 2007, cash flow provided by financing activities of \$7.1 million was attributable primarily to \$6.8 million in net proceeds from the exercise of stock options, including the tax benefits associated with exercising the options. For the nine months ended September 30, 2006, cash flow used in financing activities was attributable primarily to a \$35.3 million in net debt payments.

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OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

For the nine months ended September 30, 2007, we did not have any off-balance sheet arrangements. Information relating to payments due under contractual obligations is presented in our Annual Report on Form 10-K for the year ended December 31, 2006. There were no material changes in our payments due under contractual obligations during the first nine months of 2007.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the disclosures discussed in the section entitled "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4. Controls and Procedures

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting. As of September 30, 2007, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in our reports filed with the SEC under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There have been no significant changes in our internal controls over financial reporting during the period covered by this Quarterly Report on Form 10-Q or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on the Effectiveness of Controls. Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various legal matters and proceedings concerning matters arising in the ordinary course of business. We currently believe that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on our financial position, results of operations, or cash flows.

Item 1A. Risk Factors

Other than those risks outlined below, there have been no material changes in those risk factors discussed in the section entitled "Risk Factors" disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006. The portion of our "Risk Factors" section in our Annual Report on Form 10-K entitled "Risks Related to The Road Home Contract" has been updated and is replaced in its entirety by the below section:

Risks Related to The Road Home Contract

In June 2006, our subsidiary, ICF EMS, was awarded a contract by the State of Louisiana, Office of Community Development, to manage a program designed primarily to help homeowners and landlords of small rental properties affected by Hurricanes Rita and Katrina by providing them compensation for the repair, rebuilding, or relocation of homes and small rental properties for uninsured, uncompensated damages. The contract has a stated term of three years. However, due to the acceleration of the program, we expect the portion of the program for which there is funding may be concluded during 2008. The acceleration of the program has also accelerated the pace at which we have earned revenues compared to the revenue anticipated over what had been expected to be a three-year program. This factor, together with the challenges of predicting the future timing of work by our numerous subcontractors, makes it especially difficult for us to forecast the revenues and earnings associated with the contract, and may accelerate to earlier periods our need to win new business to replace the revenues from the contract.

The Road Home contract accounted for approximately 35% of our revenue for all of 2006 and approximately 65% of our revenue for the nine months ended September 30, 2007. We expect it to continue to be our largest contract over the remaining life of the program.

The State of Louisiana originally envisioned The Road Home program as requiring \$8.1 billion of funding. As the program has been implemented, it has become apparent that supplemental funds will be required to respond to the needs addressed by the program. This is for two primary reasons: (i) there were significantly more applicants to the program than originally anticipated; and (ii) the average amount of funding provided to each applicant has been higher than expected. The funding shortfall is currently estimated at approximately \$4 billion. Should additional funding be made available to complete The Road Home program, there is no assurance that our Road Home contract will be amended to provide for additional revenue payable to us or our subcontractors.

The Road Home contract has provided us with significant opportunities, but it has also created substantial risks, including those described below. If we are unable to satisfy the requirements of The Road Home contract, our profitability could be reduced and we could suffer a loss. It is also possible that the contract could be terminated for a number of reasons, including for cause, for convenience or for lack of availability of additional grant monies. Adverse publicity surrounding this contract, or its premature termination, could damage our reputation and our ability to win future assignments, and could adversely affect our stock price. In short, The Road Home contract substantially increases the risk profile of our business.

The Road Home Contract entails substantial funding and performance risks.

The contract contemplates three phases of work. Phase One ran from June through October 2006. Although we entered into a contract for Phases Two and Three in October 2006, there is no assurance the State of Louisiana will continue to fund the contract, particularly if the State is not satisfied with our performance and our subcontractors' performance. Further, as discussed above, it is currently estimated that the program will not have sufficient funding to satisfy its goals.

The project's complexity presents a number of performance and management risks. For example, we have to manage a large number of staff working under difficult deadlines and intense public scrutiny. We must also manage a large number of subcontractors who collectively perform a substantial portion of the work on the contract. Effectively organizing and managing these subcontractors presents an ongoing performance

challenge.

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Other performance challenges include ensuring that the applications are processed and funds are disbursed in a timely fashion, developing and implementing means of detecting and deterring fraud and theft by actual and purported beneficiaries of the program and others without unduly delaying program implementation, insuring the physical safety of all those working on the program, including the home evaluators and others in the field, and complying with a significant number of federal and state legal requirements, some of which have changed since the contract began. Processing each application from a homeowner involves many different, inter-related steps for which we are responsible, including: meeting with each applicant in person to ensure that the required information has been provided; visiting each property; determining the pre-storm value and extent of damage; obtaining information from numerous sources concerning insurance benefits and other compensation already received by each applicant; verifying that the applicant owned and occupied the home as his or her main residence at the time of the storm; calculating benefits under the different options available to each applicant; handling any applicant concerns; and conducting a closing to disburse the funds based on the option selected by the homeowner. To accomplish all these steps, we have had to develop, implement, and maintain a reliable, secure management information system. An entirely separate process is used for the Small Rental Property Program.

The State of Louisiana has the right to cancel The Road Home contract, a right it could exercise at any time, but particularly if we fail to perform or are simply perceived as failing to perform under the contract, whether or not we are actually in compliance with the terms of the contract. Any termination of the contract or significant implementation change could have an adverse effect on our operating results and stock price. Any termination of the contract would also likely result in substantial disputes and litigation with the State of Louisiana and others and would divert management attention from other matters. Even a threat or perceived threat of such action would adversely affect our stock price and be a distraction to management.

The Road Home Contract presents both pricing and financial risks.

The Road Home contract has a fixed-price component. There is no assurance that this component will yield any profit, and it could result in a loss. In addition, the State of Louisiana is compensating us for services being provided under the contract based on hourly rates or unit prices, and there can be no assurance that we can profitably perform these services for such rates or unit prices. Some of these hourly rates and unit prices have been lowered during the course of the performance of the contract, and we expect future negotiations with the State could result in additional changes in such rates and prices during the remainder of the contract, further increasing this risk.

The Road Home contract has been amended to include performance measures, with financial penalties for failure to achieve these measures. In the future, the contract could be further amended in ways that prove to be unfavorable to us. There is, therefore, no assurance that this contract can be performed profitably. Because of the size of The Road Home contract, poor financial results from this contract would adversely affect our overall operating results and the value of our stock.

The Road Home Contract exposes us to numerous different types of liability, some of which could be very substantial.

Homeowners or rental housing owners or others dissatisfied with the amount of money they have received from, or their treatment under, this program may take action against the State of Louisiana and us, including possible class action or other litigation. These actions could disrupt the program significantly by diverting substantial amounts of management time and resources and could result in substantial liability for us. Such lawsuits have been filed. However, to date such suits have not disrupted the program.

Due to the acceleration of the program and uncertainties as to further funding, we may be forced to terminate employees working under The Road Home contract earlier than initially anticipated. If and when the terminations occur, those former employees may take action against us, whether or not merited, including possible class action or other litigation.

Although much of the work under the contract will be performed by subcontractors, the State of Louisiana will consider us responsible for timely, satisfactory performance of all aspects of the contract.

We and our subcontractors gather and maintain sensitive information concerning potential and actual program participants. Failure to maintain and secure such information properly and failure to take appropriate actions to prevent fraud could result in substantial liability for us.

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Although the contract provides that, with several exceptions, we may charge as an expense under the contract reasonable costs and fees incurred in defending and paying claims brought by third parties arising out of our performance, there can be no assurance that all of our costs and fees will be reimbursed. The contract also provides that we will indemnify the State of Louisiana for certain liabilities. Such liabilities could be substantial and exceed the amounts of, or may not be covered by, available insurance.

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Because of its size and scope, The Road Home contract subjects us to increased public scrutiny and pressure, as well as to numerous additional audits, reviews and investigations, all of which will divert management attention and increase our costs.

The Road Home contract may be the largest non-construction contract ever awarded by the State of Louisiana. As a result, members of both the executive and legislative branches of the State of Louisiana government have paid, and will continue to pay, substantial attention to this contract. Both houses of the state legislature have held numerous hearings at which our management has been asked to testify. Recent elections in Louisiana have resulted in a new Governor-elect and changes in the state legislature. We are uncertain of the positions of the new legislature and administration on, and anticipated scrutiny of, The Road Home contract and our efforts in connection therewith. We expect that there will continue to be intense public and political pressure associated with The Road Home contract.

In addition, the contract has been, and we expect it to continue to be, audited, investigated, reviewed and monitored frequently by federal and state authorities and other organizations. These activities consume significant management time and effort. Despite our best efforts, there is no assurance that these activities will not yield adverse results or publicity. The high level of, and number of parties engaged in, scrutiny of our performance under The Road Home contract significantly heightens the risk of adverse findings. Such findings from an audit, investigation, monitoring or similar activity could subject us to civil and criminal penalties and administrative sanctions from state or federal authorities, including partial or complete termination of The Road Home contract, repayments of amounts already received under the contract, forfeiture of profits, suspension of payments, fines, claims for reimbursement for the costs resulting from any errors or omissions in our performance under the contract, and suspension or debarment from doing business with the State of Louisiana or federal agencies and departments, any of which could substantially adversely affect our reputation, our revenue and operating results, and the value of our stock.

The work to be performed under this contract is of significant public interest: encouraging homeowners and rental housing landlords to rebuild in Louisiana. The media in Louisiana, especially newspapers and radio networks, have covered this program closely. Adverse publicity associated with complaints from homeowners, rental housing owners, terminated employees under the program, or others is likely to harm our reputation even if we are implementing the contract consistent with contract terms and conditions. This publicity might bring, as it has in the past, increased public pressure on state officials and disrupt contract implementation while senior management deals with the effects of such publicity. In the past, negative publicity has had an adverse effect on our stock price.

The Road Home contract has increased our working capital needs, and failure by the State of Louisiana to pay our invoices in a timely manner could further increase these needs.

Although The Road Home contract includes payment provisions that we believe are reasonable, the contract has increased our working capital needs. The contract contemplates that we will provide invoices twice per month and that the state will make every reasonable effort to make payments within 25 days after receipt of an invoice. Because of the extraordinary nature of the contract, however, we cannot predict the effect of the contract on our working capital. Our future working capital needs could vary greatly depending on the timing of payments by the state or our need to pay the Road Home staff and subcontractors. In addition to possible payment processing delays, the state has not formally accepted all of our deliverables made to date under the contract. It is possible that objections to such deliverables could be raised in the future and result in payment delays. Particularly if there is an early termination of the program due to lack of funding or other reasons, we would anticipate an increased likelihood of dispute regarding payment terms and amounts as the parties approach the end of the contract. Such disputes and termination risks would serve to exacerbate our working capital needs in the event of de-mobilizing to exit the contract.

As revenue from The Road Home contract decreases over time, our operating results will be adversely affected if we cannot replace that revenue, either by organic growth, acquisitions, or other investments.

In October 2006, we began work on Phase Two, the production phase, of The Road Home contract. Subsequently, the State of Louisiana has demanded that we accelerate our efforts on The Road Home contract in order for applications to be processed more quickly. The start-up of production, together with this acceleration, resulted in increased revenue in the fourth quarter of 2006 and the nine months ended September 30, 2007. As applications are processed, however, we expect revenue from this contract to decline in 2008 and beyond. Additionally, as outlined above, there is funding uncertainty for the program. If we are unable to replace this revenue with new contracts (whether in our existing businesses or from different services, clients, practice areas, offices, geographic focus, or otherwise) or from acquisitions or other investments, our operating results will be adversely affected and our stock price could decline.

The Road Home contract is vulnerable to fraud.

As with any housing program, The Road Home contract is susceptible to fraud by both employees and applicants, and our failure to take appropriate actions to prevent fraud could result in substantial liability. Although we have identified some employees and some applicants who have attempted to defraud the program, none of those actions have, in management's opinion, been material to date. We have promptly

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terminated each employee found to be attempting to defraud the program and the government may take further action against those individuals. This has had no significant effect on the Company's financial reporting.

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We face uncertainty with a new legislature and administration in the State of Louisiana.

Recently, Louisiana conducted its statewide election, resulting in changes to its legislature and a new Governor-elect. We are uncertain of the positions of the new legislature and administration on, and anticipated scrutiny of, The Road Home contract and our efforts in connection therewith. It is possible that the new members of the legislative and executive branches may demand that new studies and research be conducted regarding the hurricane destruction and rebuilding efforts, resulting in work delays, stop-work and/or payment delays.

Risks Related to Acquisitions

The risk factor in our Annual Report entitled "We may not be successful in identifying acquisition candidates, and if we undertake acquisitions, they could fail to perform as we expect, increase our costs and liabilities, and disrupt our business," is replaced by the below risk factors:

Growing through acquisitions is a key element of our business strategy, and we are constantly reviewing acquisition opportunities. These activities may involve significant costs, be disruptive and not be successful, and will divert the attention of management from existing operations.

One of our strategies is to grow through selected acquisitions. We believe this is necessary for a public company of our size in our business, particularly given the risks associated with, and the limited life of, The Road Home contract and the related revenue stream. As a result, at any given point in time we may be evaluating several acquisition opportunities. We may also have outstanding at a given point in time one or more expressions of interest, agreements in principle or letters of intent with respect to potential acquisitions, which are subject to completion of due diligence and other significant conditions as well as confidentiality agreements with the targets. Our experience is that acquisition targets demand confidentiality as a matter of course and allow relatively little diligence before entering into a preliminary agreement in principle. We insist on including diligence and other conditions in such preliminary agreements and engage in what we believe is thorough due diligence with respect to potential acquisitions. We find that potential acquisitions subject to preliminary agreements in principle often are not consummated, or are consummated on terms materially different than those initially agreed to. Accordingly, our normal practice is not to disclose potential acquisitions until definitive agreements are achieved and, in some cases, material conditions precedent are satisfied.

When we are able to identify an appropriate acquisition candidate, we may not be able to negotiate the price and other terms of the acquisition successfully or finance the acquisition on terms satisfactory to us. Our out-of-pocket expenses in identifying, researching and negotiating potential acquisitions will likely be significant, even if we do not ultimately acquire identified businesses. In addition, negotiations of potential acquisitions and the integration of acquired business operations will divert management attention away from day-to-day operations and may reduce staff utilization during a transition period.

When we undertake acquisitions, they may present integration challenges, fail to perform as we expect, increase our liabilities, and reduce our earnings.

When we complete acquisitions, it may be difficult and costly to integrate the acquired businesses due to geographic differences in the locations of personnel and facilities, differences in corporate cultures, disparate business models or other reasons. If we are unable to integrate companies we acquire successfully, our revenue and operating results could suffer. In addition, we may not be successful in achieving the anticipated cost efficiencies and synergies from these acquisitions, including our strategy of offering our services to existing clients of acquired companies to increase our revenue and profit. In fact, our costs for managerial, operational, financial and administrative systems may increase and be higher than anticipated. In addition, we may experience attrition, including key employees of acquired and existing businesses, during and following the integration of an acquired business into our Company. This attrition could adversely affect our future revenue and operating results and prevent us from achieving the anticipated benefits of the acquisition. Acquisitions of businesses or other material operations may require additional debt or equity financing or both, resulting in additional leverage or dilution of ownership, or both. Moreover, we may need to record write-downs from future impairments of identified intangible assets and goodwill, which could reduce our future reported earnings.

Risks Related to Sarbanes-Oxley Act of 2002

The risk factor in our Annual Report regarding Section 404 of the Sarbanes-Oxley Act of 2002 has been updated, as shown below:

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Section 404 of the Sarbanes-Oxley Act of 2002 will require us to document and test our internal controls over financial reporting during fiscal 2007 and beyond and to report on our assessment as to the effectiveness of these controls. Any delays or difficulty in satisfying these requirements or negative reports concerning our internal controls could adversely affect our future results of operations and our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to document and test the effectiveness of our internal controls over financial reporting in accordance with an established internal control framework and to report on our conclusion as to the effectiveness of our internal controls. It also may require our independent registered public accounting firm to test our internal controls over financial reporting and report on the effectiveness of such controls for our fiscal year ending December 31, 2007, and subsequent years. In addition, we are required under the Securities Exchange Act of 1934, as amended, to maintain disclosure controls and procedures and internal control over financial reporting. Moreover, it may cost us more than we expect to comply with these control- and procedure-related requirements.

We may in the future discover areas of our internal controls that need improvement, particularly with respect to businesses that we have recently acquired or may acquire in the future. The adequacy of our disclosure controls and procedures and internal control over financial reporting is challenged by the size, complexity and acceleration of, as well as the number of subcontractors, changes and scrutiny under, The Road Home contract. We cannot be certain that any remedial measures we take, in response to challenges under The Road Home contract or otherwise, will ensure that we implement and maintain adequate internal controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could harm our operating results or cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal controls over financial reporting, or if our independent auditors are unable to provide us with an unqualified report regarding the effectiveness of our internal controls over financial reporting as of December 31, 2007, and in future periods as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock. Failure to comply with Section 404 could potentially subject us to sanctions or investigations by the SEC, the Nasdaq Global Select Market or other regulatory authorities, which could also result in a decrease in the value of our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There have been no changes to the Recent Sales of Unregistered Securities disclosed in Part II, Item 5 of our Annual Report on Form 10-K for the year ended December 31, 2006, our Form 10-Q for the periods ended March 31, 2007 and June 30, 2007, other than a total of 1,199 shares of unregistered stock, valued at approximately \$24,472, issued to three directors of the Company on July 2, 2007, in lieu of cash for director fee compensation. The issuance of these shares is exempt under Section 4(2) of the Securities Act of 1933, as amended.

There have been no purchases of equity securities by the issuer during the three months ended September 30, 2007.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

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Item 6. Exhibits

Exhibit Number	Exhibit
3.1	Amended and Restated Certificate of Incorporation (Incorporated by reference to exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-137975), effective as of October 12, 2006).
3.2	Amended and Restated Bylaws (Incorporated by reference to exhibit 3.2 to the Company's Registration Statement on Form S-1 (File No. 333-134018) and amendments thereto, declared effective September 27, 2006 (the Form S-1)).
4.1	Specimen common stock certificate (Incorporated by reference to exhibit 4.1 to the Company's Form S-1).
4.2	See Exhibits 3.1 and 3.2 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Registrant defining the rights of holders of common stock of the Company.
4.3	Form of Amended and Restated Registration Rights Agreement (Incorporated by reference to exhibit 4.2 to the Company's Form S-1).
10.1	Fifth Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, filed June 29, 2007).
10.2	Sixth Amendment of Contract between ICF Emergency Management Services, LLC and the State of Louisiana, through the Division of Administration, Office of Community Development (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, filed November 7, 2007).
31.1	Certificate of the Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a).
31.2	Certificate of the Principal Financial and Accounting Officer Pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a).
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICF INTERNATIONAL, INC.

November 14, 2007 By: /s/ SUDHAKAR KESAVAN
 Sudhakar Kesavan
 Chairman, President and Chief
 Executive Officer
 (Principal Executive Officer)

November 14, 2007		Executive Search and Leadership Consulting - Europe	Executive Search and Leadership Consulting - Asia Pacific	Executive Search and Leadership Culture Shaping	Total	
Balance at December 31, 2015	\$	81,626	\$10,745	\$ 9,211	\$ 29,540	\$ 131,122
DSI acquisition		5,447	—	—	—	5,447
Exchange rate fluctuations		227	(270)	214	(49)	122
Balance at March 31, 2016	\$	87,300	\$10,475	\$ 9,425	\$ 29,491	\$ 136,691

On February 29, 2016, the Company acquired DSI and included the fair value of the acquired assets and liabilities as of the acquisition date in the Condensed Consolidated Balance Sheets. The Company also included \$5.4 million of goodwill in the Americas segment.

Other Intangible Assets, net

The Company's other intangible assets, net by segment, are as follows:

	March 31, 2016	December 31, 2015
Executive Search and Leadership Consulting		
Americas	\$3,897	\$ 764
Europe	2,194	2,548
Asia Pacific	196	209
Total Executive Search and Leadership Consulting	6,287	3,521
Culture Shaping	14,111	15,166
Total other intangible assets, net	\$20,398	\$ 18,687

The Company identified customer relationships of \$3.2 million as part of the DSI acquisition and included the fair value in the Americas segment.

The carrying amount of amortizable intangible assets and the related accumulated amortization are as follows:

	Weighted Average Life (in years)	March 31, 2016			December 31, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	8.3	\$28,546	\$ (18,332)	\$ 10,214	\$25,414	\$ (17,550)	\$ 7,864
Trade name	15.0	9,215	(3,648)	5,567	9,251	(3,416)	5,835
Software	7.0	7,200	(3,343)	3,857	7,200	(3,086)	4,114
Non-complete	5.0	583	(182)	401	586	(117)	469
Technology	3.0	431	(72)	359	442	(37)	405
Total intangible assets	9.7	\$45,975	\$ (25,577)	\$ 20,398	\$42,893	\$ (24,206)	\$ 18,687

Intangible asset amortization expense for the three months ended March 31, 2016 and 2015 was \$1.4 million and \$1.2 million, respectively.

The Company's estimated future amortization expense related to intangible assets as of March 31, 2016 for the years ended December 31st is as follows:

Remainder of 2016	\$4,931
2017	4,983
2018	3,707
2019	2,712
2020	1,305
Thereafter	2,760
Total	\$20,398

9. Other Non-Current Liabilities

The components of other non-current liabilities are as follows:

	March 31, 2016	December 31, 2015
Premise related costs	\$17,601	\$ 17,790
Accrued earnout payments	1,936	788
Other	1,203	1,269
Total other non-current liabilities	\$20,740	\$ 19,847

10. Line of Credit

On June 30, 2015, the Company entered into a Second Amended and Restated Credit Agreement (the “Restated Credit Agreement”). The Restated Credit Agreement amended and restated the Credit Agreement executed on June 22, 2011 (the “Credit Agreement”). Pursuant to the Restated Credit Agreement, the Company replaced its Revolving Facility and Term Facility (“Existing Facility”) with a single senior unsecured revolving line of credit with an aggregate commitment of up to \$100 million, which includes a sublimit of \$25 million for letters of credit, and a \$50 million expansion feature (the “Replacement Facility”). The Replacement Facility will mature on June 30, 2020. Borrowings under the Restated Credit Agreement bear interest at the Company’s election at the existing Alternate Base Rate (as defined in the Credit Agreement) or Adjusted LIBOR Rate (as defined in the Credit Agreement) plus a spread as determined by the Company’s leverage ratio.

Borrowings under the Replacement Facility may be used for working capital, capital expenditures, Permitted Acquisitions (as defined in the Credit Agreement) and for other general corporate purposes of the Company and its subsidiaries. The obligations under the Replacement Facility are guaranteed by certain of the Company’s subsidiaries.

As of March 31, 2016, the Company did not have any borrowings outstanding under the Restated Credit Agreement and the Company was in compliance with the financial and other covenants under the Restated Credit Agreement and no event of default existed.

11. Stock-Based Compensation

The Company’s 2012 Heidrick & Struggles GlobalShare Program (the “2012 Program”) provides for grants of stock options, stock appreciation rights, and other stock-based awards that are valued based upon the grant date fair value of shares. These awards may be granted to directors, selected employees and independent contractors. The 2012 Program originally authorized 1,300,000 shares of Common Stock for issuance pursuant to awards under the plan.

On May 22, 2014, the stockholders of the Company approved an amendment to the 2012 Program to increase the number of shares of Common Stock reserved for issuance under the 2012 Program by 700,000 shares. As of March 31, 2016, 1,335,870 awards have been issued under the 2012 Program and 1,047,790 shares remain available for future awards, which includes 383,660 forfeited awards. The 2012 Program provides that no awards can be granted after May 24, 2022.

The Company measures its stock-based compensation costs based on the grant date fair value of the awards and recognizes these costs in the financial statements over the requisite service period.

A summary of information with respect to stock-based compensation is as follows:

	Three Months Ended March 31,	
	2016	2015
Salaries and employee benefits	\$1,831	\$1,033
Income tax benefit related to stock-based compensation included in net income	737	416

Restricted Stock Units

Restricted stock unit activity for the three months ended March 31, 2016:

	Number of Restricted Stock Units	Weighted- Average Grant-date Fair Value
Outstanding on December 31, 2015	473,935	\$ 19.98
Granted	176,635	23.73
Vested and converted to common stock	(117,845)	20.01
Forfeited	(7,634)	22.19
Outstanding on March 31, 2016	525,091	21.20

As of March 31, 2016, there was \$6.7 million of pre-tax unrecognized compensation expense related to unvested restricted stock units, which is expected to be recognized over a weighted average of 2.5 years.

Performance Stock Units

The Company grants performance stock units to certain of its senior executives. The performance stock units are generally subject to a cliff vesting at the end of a three year period. The vesting will vary between 0%—200% based on the attainment of operating income goals over the three year vesting period. The performance stock units are expensed on a straight-line basis over the three year vesting period.

In 2014, the Company granted market-based performance stock units to the Chief Executive Officer. The market-based awards vest after a two year service period and if the price of the Company's common stock exceeds specified targets. The fair value of the market-based awards was determined using the Monte-Carlo simulation model. A Monte Carlo simulation model uses stock price volatility and other variables to estimate the probability of satisfying the market conditions and the resulting fair value of the award. Compensation costs related to the market-based awards are recognized regardless of whether the market condition is satisfied, as long as the requisite service has been provided. All of the market-based performance conditions were satisfied such that all 125,000 performance stock units granted to the Chief Executive Officer vested upon the completion of the two year service period in February 2016.

Performance stock unit activity for the three months ended March 31, 2016:

Number of	Weighted- Average
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	Restricted Stock Units	Grant-date Fair Value
Outstanding on December 31, 2015	272,024	\$ 18.28
Granted	125,388	22.98
Vested and converted to common stock	(160,600)	15.51
Forfeited	—	—
Outstanding on March 31, 2016	236,812	22.64

As of March 31, 2016, there was \$4.1 million of pre-tax unrecognized compensation expense related to unvested performance stock units, which is expected to be recognized over a weighted average of 2.5 years.

12. Income Taxes

The Company reported income before taxes of \$4.0 million and \$6.5 million and an income tax provision of \$2.7 million and \$3.1 million for the three months ended March 31, 2016 and 2015, respectively. The decrease in the income tax provision was due to lower consolidated income before taxes of \$2.5 million, partially offset by higher losses that are not benefited for tax purposes and forecasted mix of income.

13. Changes in Accumulated Other Comprehensive Income

The changes in Accumulated other comprehensive income (“AOCI”) by component for the three months ended March 31, 2016 is summarized below:

	Available- for- Sale Securities	Foreign Currency Translation	Pension	AOCI
Balance at December 31, 2015	\$ 2,394	\$ 8,561	\$(1,696)	\$9,259
Other comprehensive income before classification, net of tax	148	1,105	—	1,253
Amount reclassified from AOCI (1)	77	—	—	77
Net current period other comprehensive income	225	1,105	—	1,330
Balance at March 31, 2016	\$ 2,619	\$ 9,666	\$(1,696)	\$10,589

(1) Available-for-Sale Securities reclassifications from AOCI are included in Other, net in the Condensed Consolidated Statement of Comprehensive Income.

14. Segment Information

The Company operates its executive search and leadership consulting services in the Americas; Europe (which includes Africa); and Asia Pacific (which includes the Middle East) and operates its culture shaping business as a separate segment.

For segment purposes, reimbursements of out-of-pocket expenses classified as revenue and other operating income are reported separately and, therefore, are not included in the results of each segment. The Company believes that analyzing trends in revenue before reimbursements (net revenue), analyzing operating expenses as a percentage of net revenue, and analyzing operating income more appropriately reflects its core operations.

The revenue and operating income (loss) by segment are as follows:

	Three Months Ended March 31, 2016		2015
Revenue:			
Executive Search and Leadership Consulting Americas	\$75,201	\$64,475	
Europe	26,761	19,658	
Asia Pacific	19,884	22,904	
Total Executive Search and Leadership Consulting	121,846	107,037	
Culture Shaping	8,343	8,116	
Revenue before reimbursements (net revenue)	130,189	115,153	
Reimbursements	4,098	3,326	
Total	\$134,287	\$118,479	
	Three Months Ended March 31, 2016		2015

Operating income (loss):

Executive Search and Leadership Consulting

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Americas	\$17,907	\$13,902
Europe	(1,137)	(497)
Asia Pacific	371	2,890
Total Executive Search and Leadership Consulting	17,141	16,295
Culture Shaping	(2,056)	821
Total Segments	15,085	17,116
Global Operations Support	(11,217)	(10,444)
Total	\$3,868	\$6,672

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15. Guarantees

The Company has issued cash collateralized bank guarantees and letter of credit backed bank guarantees supporting certain obligations, primarily the payment of office lease obligations and business license requirements for certain of its subsidiaries in Europe and Asia Pacific. The bank guarantees were made to secure the respective agreements and are for the terms of the agreements, which extend through 2018. For each bank guarantee issued, the Company would have to perform under the guarantee if the subsidiary defaults on a lease payment. The maximum amount of undiscounted payments the Company would be required to make in the event of default on all outstanding guarantees is approximately \$3.2 million as of March 31, 2016. The Company has not accrued for these arrangements as no event of default exists or is expected to exist.

16. Commitments and Contingencies

Litigation

The Company has contingent liabilities from various pending claims and litigation matters arising in the ordinary course of the Company's business, some of which involve claims for damages that are substantial in amount. Some of these matters are covered by insurance. Based upon information currently available, the Company believes the ultimate resolution of such claims and litigation, including the "UK Employee Benefits Trust" matter discussed below, will not have a material adverse effect on its financial condition, results of operations or liquidity.

UK Employee Benefits Trust

On January 27, 2010, HM Revenue & Customs ("HMRC") in the United Kingdom notified the Company that it was challenging the tax treatment of certain of the Company's contributions in the United Kingdom to an Employee Benefits Trust between 2002 and 2008. HMRC alleges that these contributions should have been subject to Pay As You Earn tax and Class 1 National Insurance Contributions in the United Kingdom. HMRC is proposing an adjustment to the Company's payroll tax liability for the affected years. The aggregate amount of HMRC's proposed adjustment is approximately £3.9 million (equivalent to \$5.6 million at March 31, 2016). The Company has appealed the proposed adjustment. At this time, the Company believes that the likelihood of an unfavorable outcome with respect to the proposed adjustment is not probable and the potential amount of any loss cannot be reasonably estimated. The Company also believes that the amount of any final adjustment would not be material to the Company's financial condition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other sections of this report on Form 10-Q contain forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Forward-looking statements are not historical facts, but instead represent only our beliefs, assumptions, expectations, estimates, forecasts and projections regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans and objectives and results. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements.

Factors that may affect the outcome of the forward-looking statements include, among other things, leadership changes; our ability to attract, integrate, manage and retain qualified consultants and senior leaders; our ability to develop and maintain strong, long-term relationships with our clients; fluctuations in the global and local economies and our ability to execute successfully our strategies; social or political instability in markets where we operate, the impact of foreign currency exchange rate fluctuations; unfavorable tax law changes and tax authority rulings; price competition; the ability to forecast, on a quarterly basis, variable compensation accruals that ultimately are determined based on the achievement of annual results; our ability to realize our tax losses; the timing of the establishment or reversal of valuation allowance on deferred tax assets; the mix of profit and loss by country; our ability to integrate future acquisitions; our reliance on information management systems; any impairment of our goodwill and other intangible assets; and the ability to align our cost structure and headcount with net revenue. For more information on the factors that could affect the outcome of forward-looking statements, refer to our Annual Report on Form 10-K for the year ended December 31, 2015, under Risk Factors in Item 1A. We caution the reader that the list of factors may not be exhaustive. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Executive Overview

Our Business. We are a leadership advisory firm providing executive search, culture shaping services and leadership consulting. We help our clients build leadership teams by facilitating the recruitment, management and development of senior executives. We provide our services to a broad range of clients through the expertise of over 300 consultants located in major cities around the world.

Executive Search. We partner with respected organizations globally to build and sustain the best leadership teams in the world, with a specialized focus on the placement of top-level senior executives. We believe focusing on top-level senior executives provides the opportunity for several advantages including access to and influence with key decision makers, increased potential for recurring search and consulting engagements, higher fees per executive search, enhanced brand visibility, and a leveraged global footprint. Working at the top of client organizations also facilitates the attraction and retention of high-caliber consultants who desire to serve top industry executives and their leadership needs.

Our executive search services are provided on a retained basis. Revenue before reimbursements of out-of-pocket expenses ("net revenue") consists of retainers and indirect expenses billed to clients. For each assignment, we enter into a contract with our client that outlines the general terms and conditions of the assignment. Typically, we are paid a retainer for our executive search services equal to approximately one-third of the estimated first year compensation for the position to be filled. In addition, generally, if the actual compensation of a placed candidate exceeds the estimated compensation, we often are authorized to bill the client for one-third of the excess. Indirect expenses are calculated as

a percentage of the retainer with certain dollar limits per search. We generally bill our clients for our retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client's acceptance of the contract.

Culture Shaping. Our culture shaping business uses its proprietary technology to analyze and interpret organizational cultures and drivers and partner with clients to administer methods that develop alignment on leadership teams and desired organizational outcomes. Culture Shaping is currently less than 10% of our net revenue. Our culture shaping services generate revenue through a combination of professional service and license fees related to the engagement. Net revenue associated with culture shaping consulting is recognized proportionally as services are performed. Net revenue associated with licenses to use culture shaping proprietary materials is typically recognized over the term of the arrangement.

Leadership Consulting. Leadership consulting works with clients to accelerate performance at the strategic, organization, team and individual leader levels. On February 29, 2016, we acquired Decision Strategies International, Inc. ("DSI"), which specializes in advising organizations and institutions on strategic planning and decision making in certain operating environments, leadership development and talent strategy. On October 1, 2015, we acquired Co Company Limited, an organizational development consulting firm. Leadership Consulting is currently less than 10% of our net revenue. Our

leadership consulting services generate revenue primarily through the professional fees generated for each engagement which are generally based on the size of the project and scope of services. Depending on the terms of the agreement, net revenue from leadership consulting is either recognized proportionally as services are performed or in accordance with the completion of the engagement deliverables.

Key Performance Indicators

We manage and assess Heidrick & Struggles' performance through various means, with the primary financial and operational measures including net revenue, operating income, operating margin, Adjusted EBITDA (non-GAAP), and Adjusted EBITDA margin (non-GAAP). Executive Search and Leadership Consulting performance is also measured using consultant headcount and consultant productivity. Specific to Executive Search, confirmation trends and average revenue per search or project are used to measure performance.

Revenue is driven by market conditions and a combination of the number of executive search engagements and leadership consulting and culture shaping projects and the average revenue per search or project. With the exception of compensation expense, incremental increases in revenue do not necessarily result in proportionate increases in costs, particularly operating and administrative expenses, thus potentially improving operating margins.

The number of consultants, confirmation trends, number of searches or projects completed, productivity levels and the average revenue per search or project will vary from quarter to quarter, affecting net revenue and operating margin.

Our Compensation Model

At the Executive Search consultant level there are fixed and variable components of compensation. Individuals are rewarded for their performance based on a system that directly ties a portion of their compensation to the amount of net revenue for which they are responsible. A portion of the reward is based upon individual performance against a series of non-financial measures. Credit towards the variable portion of an Executive Search consultant's compensation is earned by generating net revenue for winning and executing work. Each quarter, we review and update the expected annual performance of all Executive Search consultants and accrue variable compensation accordingly. The amount of variable compensation that is accrued for each Executive Search consultant is based on a tiered payout model. Overall Company performance determines the amount available for total variable compensation. The more net revenue that is generated by the consultant, the higher the percentage credited towards the consultant's variable compensation and thus accrued by our Company as expense. The mix of individual consultants who generate the revenue can significantly affect the total amount of compensation expense recorded, which directly impacts operating margin. As a result, the variable portion of the compensation expense may fluctuate significantly from quarter to quarter. The total variable compensation is discretionary and is based on Company-wide financial targets approved by the Human Resources and Compensation Committee of the Board of Directors.

A portion of our Executive Search consultants' and management cash bonuses is deferred and paid over a three-year vesting period. The compensation expense related to the amounts being deferred is recognized on a graded vesting attribution method over the requisite service period. This service period begins on January 1 of the respective fiscal year and continues through the deferral date, which coincides with our bonus payments in the first quarter of the following year, and for an additional three year vesting period. The deferrals are recorded in Accrued salaries and employee benefits and Other non-current liabilities in the Condensed Consolidated Balance Sheets.

Second Quarter 2016 Outlook

We are currently forecasting 2016 second quarter net revenue of between \$145 million and \$155 million. Our 2016 second quarter guidance is based upon, among other things, management's assumptions for the anticipated volume of

new executive search confirmations and leadership consulting and culture shaping projects, the current backlog, consultant productivity, consultant retention, the seasonality of our business and average currency rates in March 2016.

Our 2016 guidance is subject to a number of risks and uncertainties, including those discussed under Item 1A - Risk Factors in our 2015 Annual Report on Form 10-K. As such, actual results could vary from these projections.

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Results of Operations

The following table summarizes, for the periods indicated, our results of operations as a percentage of revenue before reimbursements (net revenue):

	Three Months Ended March 31,	
	2016	2015
Revenue:		
Revenue before reimbursements (net revenue)	100.0%	100.0 %
Reimbursements	3.1	2.9
Total revenue	103.1	102.9
Operating expenses:		
Salaries and employee benefits	70.0	68.1
General and administrative expenses	27.0	26.1
Reimbursed expenses	3.1	2.9
Total operating expenses	100.2	97.1
Operating income	3.0	5.8
Non-operating income (expense):		
Interest, net	0.1	(0.1)
Other, net	—	(0.1)
Net non-operating income (expense)	0.1	(0.1)
Income before income taxes	3.1	5.7
Provision for income taxes	2.0	2.7
Net income	1.0 %	3.0 %

Note: Totals and sub-totals may not equal the sum of individual line items due to rounding.

We operate our executive search and leadership consulting services in the Americas; Europe (which includes Africa); and Asia Pacific (which includes the Middle East) and operate our culture shaping business as a separate segment (See Note 14, Segment Information).

The following tables set forth, for the periods indicated, our revenue and operating income by segment (in thousands):

	Three Months Ended March 31,	
	2016	2015
Revenue:		
Executive Search and Leadership Consulting		
Americas	\$75,201	\$64,475
Europe	26,761	19,658
Asia Pacific	19,884	22,904
Total Executive Search and Leadership Consulting	121,846	107,037
Culture Shaping	8,343	8,116
Revenue before reimbursements (net revenue)	130,189	115,153
Reimbursements	4,098	3,326
Total	\$134,287	\$118,479

	Three Months Ended March 31, 2016		2015
Operating income (loss):			
Executive Search and Leadership Consulting			
Americas	\$17,907	\$13,902	
Europe	(1,137)	(497)	
Asia Pacific	371	2,890	
Total Executive Search and Leadership Consulting	17,141	16,295	
Culture Shaping	(2,056)	821	
Total Segments	15,085	17,116	
Global Operations Support	(11,217)	(10,444)	
Total	\$3,868	\$6,672	

Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015

Total revenue. Consolidated total revenue increased \$15.8 million, or 13.3%, to \$134.3 million in 2016 from \$118.5 million in 2015. The increase in total revenue was due primarily to the increase in revenue before reimbursements (net revenue).

Revenue before reimbursements (net revenue). Consolidated net revenue increased \$15.0 million, or 13.1%, to \$130.2 million for the three months ended March 31, 2016 from \$115.2 million for the three months ended March 31, 2015. Foreign exchange rate fluctuations decreased revenue by \$3.3 million, or 2.9%. Executive Search and Leadership Consulting net revenue was \$121.8 million, an increase of \$14.8 million compared to the three months ended March 31, 2015. The increase in Executive Search and Leadership Consulting net revenue is primarily due to growth in our Financial Services and Global Technology & Services practice groups, partially offset by declines in the Industrial and Consumer Markets practice groups. Culture Shaping net revenue was \$8.3 million for the three months ended March 31, 2016, a increase of \$0.2 million compared to the three months ended March 31, 2015.

The number of Executive Search and Leadership Consulting consultants was 332 as of March 31, 2016 compared to 323 as of March 31, 2015. Productivity, as measured by annualized net Executive Search and Leadership Consulting revenue per consultant was \$1.5 million for the three months ended March 31, 2016 as compared to \$1.4 million for the three months ended March 31, 2015. Specific to Executive Search, our primary business, the number of confirmed searches increased 7.1% compared to the first quarter of 2015. The average revenue per executive search increased to \$104,300 in the first quarter of 2016 compared to \$102,700 in the first quarter of 2015.

Salaries and employee benefits. Consolidated salaries and employee benefits expense increased \$12.6 million, or 16.1%, to \$91.1 million for the three months ended March 31, 2016 from \$78.5 million for the three months ended March 31, 2015. The increase was primarily due to higher fixed compensation. Fixed compensation increased \$9.8 million, including compensation related to acquisitions and new hires over the last year, \$2.2 million of investments in new and existing partners in our Culture Shaping business, and severance related to the repositioning of the Leadership Consulting business.

Variable compensation increased \$2.8 million due to higher bonus accruals for consultant performance. In the 2016 first quarter we had an average of 1,652 employees compared to an average of 1,492 employees in the 2015 first quarter.

Foreign exchange rate fluctuations decreased salaries and employee benefits expense by \$1.6 million, or 2.1%.

As a percentage of net revenue, salaries and employee benefits expense was 70.0% in the first quarter of 2016, compared to 68.1% in the first quarter of 2015.

General and administrative expenses. Consolidated general and administrative expenses increased \$5.2 million, or 17.3%, to \$35.2 million for the three months ended March 31, 2016 from \$30.0 million for the three months ended March 31, 2015. The increase was due to repositioning of our Leadership Consulting business of \$1.5 million, ongoing general and administrative expenses related to our recent acquisitions and higher training, travel and departmental spending.

Foreign exchange rate fluctuations decreased general and administrative expense by \$1.0 million, or three percentage points.

As a percentage of net revenue, general and administrative expenses were 27.0% in the first quarter of 2016 compared to 26.1% in the first quarter of 2015.

Operating income. Consolidated operating income was \$3.9 million for the three months ended March 31, 2016, compared to \$6.7 million for the three months ended March 31, 2015. The net impacts of foreign exchange rate fluctuations reduced operating income by \$0.9 million.

Net non-operating income (expense). Net non-operating income was \$0.1 million for the three months ended March 31, 2016 an increase of \$0.2 million from net non-operating expense of \$0.1 million for the three months ended March 31, 2015.

Interest, net was \$0.1 million of income in the first quarter of 2016 compared to \$0.1 million of expense in 2015. Interest expense decreased \$0.2 million due the repayment of outstanding debt in the third quarter of 2015, which had been outstanding during the first quarter of 2015.

Other, net was income of \$0.1 million and expense of \$0.1 million for the three months ended March 31, 2016 and 2015, respectively. Other, net increased due to minority interest investments and gains and losses on available for sale securities, partially offset by exchange losses from balances which were denominated in non-functional currencies and not considered permanent in nature.

Income taxes. See Note 12, Income Taxes.

Executive Search and Leadership Consulting

Americas

The Americas segment reported net revenue of \$75.2 million for the three months ended March 31, 2016, an increase of 16.6%, from \$64.5 million for the three months ended March 31, 2015. The increase in net revenue was primarily driven by growth in the Financial Services, Healthcare & Life Sciences and Global Technology & Services practice groups. These increases were partially offset by declines in the Industrial and Consumer Markets practice groups; in addition to foreign exchange rate fluctuations that reduced net revenue by approximately two percentage points. The number of consultants within the Americas segment increased to 160 as of March 31, 2016 as compared to 152 at March 31, 2015.

Salaries and employee benefits expense increased \$6.2 million from the first quarter of 2015. Fixed compensation increased \$4.0 million due to higher minimum guarantees of \$2.9 million and higher base salaries and benefits of \$0.9 million. Variable compensation increased \$2.2 million due to higher bonus accruals for consultant performance.

General and administrative expense increased \$0.5 million due to higher internal travel costs of \$0.2 million from the first quarter of 2015.

The Americas region reported operating income of \$17.9 million for the three months ended March 31, 2016, an increase of \$4.0 million compared to \$13.9 million for the three months ended March 31, 2015.

Europe

The Europe segment reported net revenue of \$26.8 million for the three months ended March 31, 2016, an increase of 36.1%, from \$19.7 million for the three months ended March 31, 2015. All industry practice groups contributed to net revenue growth except for the Education, Nonprofit & Social Enterprise practice group. Contributing to this growth

was the Company's acquisition of Co Company in October 2015, which increased revenues by approximately \$2.1 million. Foreign exchange rate fluctuations reduced net revenue by approximately five percentage points. The number of consultants within the Europe segment decreased to 86 as of March 31, 2016 as compared to 90 at March 31, 2015.

Salaries and employee benefits expense increased \$4.2 million from the first quarter of 2015. Fixed compensation increased \$2.9 million due to higher base salaries of \$1.8 million primarily from merit increases and additional headcount related to the Co Company acquisition and costs related to the repositioning of our Leadership Consulting business of \$0.6 million. Variable compensation increased \$1.3 million due to higher bonus accruals for consultant performance.

General and administrative expense increased \$3.5 million from the first quarter of 2015 primarily as a result of \$1.5 million of costs associated with repositioning of our Leadership Consulting business and ongoing general and administrative expenses related to our recent acquisitions.

The Europe segment reported an operating loss of \$1.1 million the three months ended March 31, 2016, a decrease of \$0.6 million compared to the three months ended March 31, 2015.

Asia Pacific

The Asia Pacific segment reported net revenue of \$19.9 million for the three months ended March 31, 2016, a decrease of 13.2% from \$22.9 million for the three months ended March 31, 2015. The decrease in net revenue was across all industry practice groups except for the Financial Services and Global Technology & Services practice groups. Foreign exchange rate fluctuations reduced net revenue by approximately three percentage points. The number of consultants within the Asia Pacific segment increased to 86 as of March 31, 2016 as compared to 81 at March 31, 2015.

Salaries and employee benefits expense decreased \$1.0 million from the first quarter of 2015. The decrease in salaries and employee benefits expense is due to lower variable compensation of \$0.9 million from lower bonus accruals for consultant performance. Fixed compensation was flat compared to the prior year.

General and administrative expense increased \$0.5 million from the first quarter of 2015 due to higher internal travel expenses.

The Asia Pacific segment had operating income of \$0.4 million for the three months ended March 31, 2016, a decrease of \$2.5 million from the first quarter of 2015.

Culture Shaping

The Culture Shaping segment reported net revenue of \$8.3 million for the three months ended March 31, 2016, an increase 2.8% from \$8.1 million for the three months ended March 31, 2015. The increase is the result of a higher volume of client work.

Salaries and employee benefits expense increased \$2.6 million from the first quarter of 2015 due to investments in new and existing consultants.

General and administrative expenses increased \$0.5 million from the first quarter of 2015 primarily due to higher internal travel costs.

The Culture Shaping segment reported an operating loss of \$2.1 million for the three months ended March 31, 2016, a decrease of \$2.9 million compared to \$0.8 million operating income for the three months ended March 31, 2015.

Global Operations Support

Global Operations Support expenses for the three months ended March 31, 2016 decreased \$0.8 million or 7.4% to \$11.2 million from \$10.4 million for the three months ended March 31, 2015.

Salaries and employee benefits expense increased \$0.6 million due to additional stock-based compensation expense related to meeting the vesting requirements of the performance share awards for the chief executive officer.

General and administrative expense increased \$0.2 million due higher internal training costs.

Liquidity and Capital Resources

General. We continually evaluate our liquidity requirements, capital needs and availability of capital resources based on our operating needs. We believe that our available cash balances together with the funds expected to be generated from operations and funds available under our committed revolving credit facility will be sufficient to finance our operations for the foreseeable future, as well as to finance the cash payments associated with our cash dividends and stock repurchase program.

We pay the non-deferred portion of annual bonuses in the first quarter following the year in which they are earned. Employee bonuses are accrued throughout the year and are based on our performance and the performance of the individual employee.

Lines of credit. On June 30, 2015, we entered into a Second Amended and Restated Credit Agreement (the “Restated Credit Agreement”). The Restated Credit Agreement amended and restated the Credit Agreement executed on June 22, 2011 (the “Credit Agreement”). Pursuant to the Restated Credit Agreement, we replaced our Revolving Facility and Term Facility (“Existing Facility”) with a single senior unsecured revolving line of credit with an aggregate commitment of up to \$100

million, which includes a sublimit of \$25 million for letters of credit, and a \$50 million expansion feature (the “Replacement Facility”). The Replacement Facility will mature on June 30, 2020. Borrowings under the Restated Credit Agreement bear interest at our election at the existing Alternate Base Rate (as defined in the Credit Agreement) or Adjusted LIBOR Rate (as defined in the Credit Agreement) plus a spread as determined by our leverage ratio. As of March 31, 2016, we did not have any borrowings outstanding under the Restated Credit Agreement.

We were in compliance with the financial and other covenants under the Restated Credit Agreement and no event of default existed.

Cash and cash equivalents. Cash and cash equivalents at March 31, 2016, December 31, 2015 and March 31, 2015 were \$62.0 million, \$190.5 million and \$107.6 million, respectively. The \$62.0 million of cash and cash equivalents at March 31, 2016 includes \$38.0 million held by our foreign subsidiaries. A portion of the \$38.0 million is considered permanently reinvested in these foreign subsidiaries. If these funds were required to satisfy obligations in the U.S., the repatriation of these funds could cause us to incur additional U.S. income taxes or foreign withholding taxes. Any additional taxes could be offset, in part or in whole, by foreign tax credits. The amount of such taxes and application of tax credits would be dependent on the income tax laws and other circumstances at the time these amounts are repatriated. Based on these variables, it is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

Cash flows used in operating activities. For the three months ended March 31, 2016, cash used in operating activities was \$119.2 million. This use of cash was primarily the result of a reduction in accrued expenses due to cash bonus payments of \$136 million related to 2015 and prior year cash bonus deferrals with 2016 variable compensation accruals of \$32.3 million partially offsetting these payments, an increase in accounts receivable of \$17.0 million, the payment of \$6.5 million for the retention bonus paid to certain key executives related to the Senn Delaney acquisition, business income tax payments of \$5.8 million, an increase in net other assets and liabilities of \$5.6 million and an increase in prepaid expenses of \$2.6 million. These uses of cash were partially offset by an increase in deferred revenue of \$4.3 million, depreciation and amortization of \$3.7 million, deferred income taxes of \$2.3 million, stock compensation expense of \$1.8 million, an increase in accounts payable of \$1.5 million and net income of \$1.3 million.

For the three months ended March 31, 2015, cash used in operating activities was \$87.8 million, principally reflecting a decrease in accrued expenses primarily due to cash bonus payments of approximately \$104 million for 2014 and prior cash deferrals with the 2015 variable compensation accruals of \$21.2 million partially offsetting these payments, an increase in accounts receivables of \$16.2 million and income tax payments of \$4.6 million partially offset by net income.

Cash flows used in investing activities. Cash used in investing activities was \$5.0 million for the three months ended March 31, 2016 primarily due to the acquisition of DSI for \$8.8 million, purchases of available for sale securities of \$2.1 million and capital expenditures of \$0.7 million. These uses of cash were partially offset by a reduction in restricted cash of \$6.5 million due to a release of funds for the retention bonus paid to certain key executives related to the Senn Delaney acquisition.

Cash used in investing activities was \$7.3 million for the three months ended March 31, 2015 primarily due to capital expenditures of \$6.3 million and net purchases of available for sale securities of \$1.2 million. Capital expenditures primarily related to the office build out for our new Chicago office space.

Cash flows used in financing activities. Cash used in financing activities for the three months ended March 31, 2016 was \$5.5 million primarily due to employee tax withholdings on equity transactions of \$2.7 million, cash dividend payments of \$2.5 million and an earnout payment of \$0.4 million related to the Scambler MacGregor acquisition.

Cash used in financing activities for the three months ended March 31, 2015 was \$5.6 million primarily due to cash dividend payments of \$2.5 million, debt repayment of \$1.5 million, employee tax withholdings on equity transactions of \$0.8 million and an earnout payment of \$0.7 million related to the Scambler MacGregor acquisition.

Off-Balance Sheet Arrangements. We do not have material off-balance sheet arrangements, special purpose entities, trading activities of non-exchange traded contracts or transactions with related parties.

Application of Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements, which have been prepared using accounting principles generally accepted in the United States of America. Our significant accounting policies are discussed in Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 as filed with the U.S. Securities and Exchange Commission ("SEC") on March 10, 2016, and in Note 2, Summary of Significant Accounting Policies, in the Notes to Condensed Consolidated Financial Statements included in Item 1. The

preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. If actual amounts are ultimately different from previous estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. Management believes its critical accounting policies that reflect its more significant estimates and assumptions relate to revenue recognition, income taxes, interim effective tax rate and assessment of goodwill and other intangible assets for impairment. See Application of Critical Accounting Policies and Estimates in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the SEC on March 10, 2016.

Recently Issued Financial Accounting Standards

In March 2016, the FASB issued ASU No. 2016-09, Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which is intended to simplify several aspects of the accounting for share-based payment transactions including the income tax accounting, classification of awards as either equity or liabilities, the accounting for forfeitures and classification on the statement of cash flows. The standard is effective for annual reporting periods beginning after December 15, 2016 with early adoption is permitted. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

In February 2016, the FASB issued ASU No. 2016-02, Leases, intended to improve financial reporting about leasing transactions. The new guidance will require entities that lease assets to recognize on their balance sheets the assets and liabilities for the rights and obligations created by those leases and to disclose key information about the leasing arrangements. ASU 2016-02 is effective for interim and annual periods beginning after December 15, 2018 with early adoption permitted. The guidance requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments including the recognition of unrealized changes in fair value within net income. The standard is effective for annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The ASU requires that an entity recognizes revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. The effective date has been deferred for one year to the interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date, which was interim and annual reporting periods beginning after December 15, 2016. The guidance permits the use of either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect

certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption. The Company is currently evaluating the impact of this accounting guidance. The effect is not known or reasonably estimable at this time.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency market risk. With our operations in the Americas, Europe and Asia Pacific, we conduct business using various currencies. Revenue earned in each country is generally matched with the associated expenses incurred, thereby reducing currency risk to earnings. However, because certain assets and liabilities are denominated in currencies other than the U.S. dollar, changes in currency rates may cause fluctuations in the valuation of such assets and liabilities. As the local currency of our subsidiaries has generally been designated as the functional currency, we are affected by the translation of foreign currency financial statements into U.S. dollars. A 10% change in the average exchange rate for currencies of all foreign countries in which we operate would have increased or decreased our net income for the three months ended March 31, 2016 by \$0.3 million. For financial information by geographic segment, see Note 14, Segment Information, in the Notes to Condensed Consolidated Financial Statements.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures as defined in the Securities Exchange Act of 1934, as amended, (the "Exchange Act") Rule 13a-15(e) and 15d-15(e), that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Management of the Company, with the participation of the principal executive officer and the principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2016. Based on the evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of March 31, 2016.

(b) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information presented in Note 16, Commitments and Contingencies, to our Condensed Consolidated Financial Statements within this Quarterly Report on Form 10-Q is incorporated herein by reference.

Item 6. Exhibits

Exhibit No.	Description
*31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32.2	Certification of the Company's Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 27, 2016

Heidrick & Struggles International, Inc.
(Registrant)

By: /s/ Karen K. Pepping
Karen K. Pepping
Senior Vice President, Chief Accounting Officer & Controller